FINANCIAL TIMES

PUBLISHED IN LONDON AND FRANKFURT

No. 28,423

Wednesday March 18 1981

***25p

CONTINENTAL SELLING PRICES: AUSTRIA Sch 15; BELGIUM Fr 28; DENMARK Kr 6.00; FRANCE Fr 4.50; GERMANY DM 2.0; ITALY L800; NETHERLANDS Fl 2.0; NORWAY Kr 6.00; PORTUGAL Esc 60; SPAIN Pts 75; SWEDEN Kr 6.00; SWITZERLAND Fr 2.0; EIRE 30p; MALTA 25c

NEWS SUMMARY

GENERAL

More cuts in motor industry workforce

A further cut in motor industry jobs was signalled yesterday with the announcement of more than 1,000 redundancies.

BL is seeking 900 voluntary redundancies at its Longbridge plant, Birmingham, because of cuts in production of six models.

Rubery Owen has called for a cut of up to 400 jobs—more than 25 per cent of the workforce—at its Darlaston plant in the West Midlands. Page 8

Modest aid

EEC Governments appeared ready to offer modest food aid —worth £2.7m—in response to China's first emergency appeal. Page 2

Simulated attack

About 700 combat aircraft from eight Western nations began a simulated attack on French air space. The exercise continues today.

Euro-passport

EEC nations are to endeavour to introduce a European passport by 1985. Page 2

Poor prospect

Prince Charles was unseated from his horse Good Prospect at Cheltenham five days after falling at Sandown. Racing, Page 20

Certified 'dead'

A woman certified dead by a doctor early yesterday was later reported to be "deeply unconscious" in a Gloucester hospital.

Kidney man safe

A man believed to be near death from kidney disease was found safe and well in a Newcastle hotel 12 days after disappearing from his London home.

Court ruling

Two men convicted of murder after doctors switched off the victims' life support machines were rightly held responsible for their deaths, the London Appeal Court ruled.

Botha incident

A man armed with a pistol was removed from a public meeting at Rustenburg, South Africa, which was being addressed by Premier P. W. Botha.

Airliner alert

A Chicago-bound Lufthansa DC-10 turned back over the Atlantic after a bomb-threat note was found at Frankfurt Airport.

Clashes threat

More clashes are threatened between the Israeli-backed South Lebanese militia and UN troops in Lebanon. Page 3

Pilot rescued

A civilian pilot with the Royal Navy was rescued after ejecting from his Hunter jet off Devon.

Research backed

The Government has granted £13,000 to Liverpool University specialists researching into backache, which costs industry more than strikes.

Briefly...

Zimbabwe cancelled local elections in Bulawayo after fears of unrest. Page 3

Naples police detained 111 after a sit-in by jobless at the city employment office.

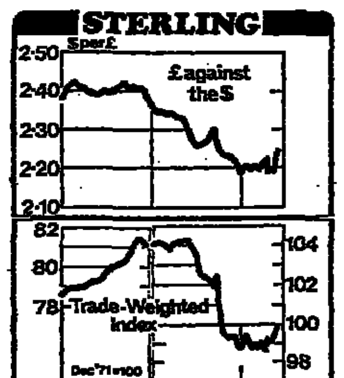
Policeman was shot and seriously wounded in Londonderry.

Uganda guerrillas claimed to have killed 76 troops outside Kampala.

BUSINESS

Sterling 1.1c up; Equities add 7.8

● **STERLING** added 1.1 cents to close at \$2.2490, the highest for nearly a month. Its trade-weighted index was 99.9 (99.5). Page 28



● **DOLLAR** changed little over all. It rose to Y207.75 (Y207.25) but was easier at DM 2.0880 (DM 2.0905) and SwFr 1.9010 (SwFr 1.9015). Its Bank of England index was 99.1 (99.3). Page 28

● ***EQUITIES** advanced broadly*, encouraged by bid activity and Wall Street's firmness. The FT 30-Share Index closed 7.8 up at the day's high of 487.6. Page 36

● **GILTS** eased slightly. The Government Securities Index was 0.10 lower at 69.82. Page 36

● **GOLD** was weaker in quiet trade in London. It closed at \$492.5, down \$6. Page 28

● **WALL STREET** was 1.35 up at 1004.14 before the close. Page 34

● **PRESIDENT REAGAN** underestimated federal spending for 1981-82 by up to \$25bn (£11.2bn) because of over-optimistic assumptions about the U.S. economy, a research group said. Back Page

● **THE RECESSION** should bottom out this year but recovery will be slow and unemployment will keep rising, a survey of post-Budget economic forecasts concluded. Back Page

● **WORLD SHIPBUILDING** industry output fell 8.3 per cent to 13.1m gross registered tonnage last year, the lowest since 1965. Page 4

● **SOUTH AFRICA'S** balance of payments current account showed a R89m (£50m) deficit in the fourth quarter last year as imports rose sharply and the gold price fell. Page 3

● ***WESTINGHOUSE ELECTRIC***, the U.S. nuclear plant maker, settled uranium litigation with Rio Tinto-Zinc, bringing nearer an end to five-year-old claims for \$3bn (\$1.3bn). Back Page

● **FISONS**, the chemical group which lost £16.8m net last year, has carried out a major boardroom reshuffle. Back Page

● **VANBRUGH** Life Assurance is to offer the self-employed pensions whose value should rise with inflation. Page 8

● **U.S. HOUSING** starts were down 24.6 per cent in February after a 5.2 per cent rise in January.

● **BROOKE BOND LIEBIG** reported pre-tax profits down from £24.21m to £19.33m in the six months to December 31. Page 24; Lex, Back Page

● **SWEDISH MATCH** pre-tax profit rose 11.5 per cent to SKr 232m (£22.6m). Dividend will rise SKr 1 for the second consecutive year, to SKr 7. Page 32

● **WARING AND GILLOW** group reported pre-tax profits down from £2.12m to £586,000 for the six months to September 30. The interim dividend was held at 1.5p. Page 27

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES		
Assd. Leisure	131	+ 8
Avana	214	+ 9
BICC	208	+ 8
BTR	472	+ 32
Barratt Devs.	226	+ 24
Bejam	120	+ 8
Brooke Bond	48½	+ 2½
Crest Nicholson	168	+ 9
Daejan	170	+ 7
Davies and Newman	168	+ 15
Dowty	259	+ 15
Fairclough Cons.	95	+ 12
Fisons	142	+ 7
Geers Gross	100	+ 8
Goldman (H.)	42	+ 11
GUS A	462	+ 14
Haden Carrier	242	+ 8
Ladbroke	270	+ 11
Lloyds Bank	315	+ 8
Lloyds and Scottish	196	+ 11
Matthews (B.)	390	+ 20
Mowlem	141	+ 7
Plessey	330	+ 7
Prov. Financial	146	+ 13
Robertson Foods	149	+ 13
Royal Bk Scotland	138	+ 42
Saatchi and Saatchi	362	+ 19
Sangers	74	+ 9
Sidlaw	150	+ 8
Wilson (Connolly)	205	+ 23
Berkeley Explor.	295	+ 18
LASMO	608	+ 18
FALLS		
Grindlays Bank	176	− 9
Stag Furniture	83	− 5
Standard Chartered	643	− 52
Asarco	£18¾	− ¾
Intnl. Mining	58	− 9
Meekatharra Mins.	350	− 30
Rand London Coal	98	− 7

Thatcher stands firm on petrol tax rise despite Tory rebellion

BY RICHARD EVANS, LOBBY EDITOR

MRS. THATCHER insisted yesterday that there would be *no review of the 20p increase in petrol duty imposed in the* Budget, despite the rebellion by more than 30 Tory MPs in the Commons on Monday night and the certainty of more trouble to come.

Mrs. Thatcher seemed reinforced in her determination to *maintain the Budget strategy* when she told MPs there was no question of abandoning the 20p increase.

This has developed into the issue on which a wide cross-section of Tory critics of the Budget are uniting. The rebels appear confident they will be joined by other MPs during the committee stage of the Finance Bill after Easter.

An attempt will then be made, with Opposition support, to reduce the increase to 10p. Government whips will not decide tactics on reducing the *scale of this opposition until* much nearer the time. No disciplinary action is to be taken against the eight MPs who voted in the Opposition lobby on Monday or the 25 who abstained.

The Prime Minister, as well as rejecting any suggestion of a compromise on the petrol tax increase, said there could be no pre-Budget discussions among Ministers.

She told Mr. Michael Foot, Opposition leader: "Budget statements are never discussed in Cabinet. I can never remember in all my time in Cabinet a Budget which was discussed by Ministers before being presented."

When asked if it would be possible for the underlying *options of a Budget to be* made public so that people could be better informed Mrs. Thatcher replied with a curt "No."

It is generally accepted at Westminster that the rebellion on the petrol tax has dented Tory morale and damaged the authority of the Prime Minister.

The defection to the Social Democrats of Mr. Christopher Brocklebank-Fowler, MP for *Norfolk North-West*, was also more damaging than Ministers were prepared to admit.

There was continuing speculation yesterday about whether more Tory Left-wingers would follow.

Government whips believe no further defections are imminent *but much will depend on the* success of the economic strategy in the next few months.

Mr. David Steel, Liberal leader, said yesterday he thought there were "two or three" potential Tory defectors in the present Parliament. He regarded the capture by the *Social Democrats of Mr.* Brocklebank-Fowler as a "very significant step forward."

Thatcher bars wider Cabinet talks on Budget, Page 12

Social Democrat Party launched, Back Page

Germans say fishing row could wreck summit

BY LARRY KLINGER IN BRUSSELS

*WEST GERMANY warned yes*terday that next week's EEC summit in the Netherlands would be wrecked unless the British Government cleared the way for a agreement in the increasingly rancourous negotiations over a Common fisheries policy.

Issuing this unambiguous threat, Herr Klaus von Dohnanyi West German deputy Foreign Minister, warned that a failure to reach agreement could threaten the future of last year's deal reducing the UK's net contributions to the EEC budget.

Under this intense German pressure, EEC foreign ministers were grappling late in the evening with a European Commission formula aimed at securing UK agreement. However, there appeared little chance of a complete break in the deadlock since *none of the ministers is* qualified to negotiate in detail *on the technical issues involved.*

The dispute concerns fishing rights in EEC coastal waters. The persisitent argument between Britain and France over acess to UK waters has help up implementation of a fishing agreement between the EEC and Canada. West Germany is indignant because its deep-sea trawlers have been unable to sail for Canada.

The UK delegation is clearly alarmed at the prospect of a major row in Maastricht next week. Chancellor Helmut Schmidt already plans to make a fuss at the summit over EEC steel industry arrangements, and a full-scale anglo-German confrontation over fish could only worsen the general atmosphere.

As a result, Britain is apparently aiming to reach an agreed basis for detailed negotiations *later this week on the Com*mission's proposals.

West Germany has made several threats against the British budget deal over the past few weeks. Bonn believes an accord on fish was part of the original budget compromise, and appears determined it should be taken more seriously.

There appears little threat to the UK's £1.5bn to £1.6bn rebates covering 1980 and 1981 budget payments. But West Germany could block renewal of the agreement for a third year in negotiations due in a few months' time.

Britain has consistently refused to ratify the EEC-Canada deal until there is either full agreement on a common fisheries policy, which is designed to regulate the share-out of the EEC catch, or until it wins sufficient EEC protection against cheap fish imports, which *would increase if the Canadian* fisheries deal was operating.

IMI to finance expansion with £27.5m rights issue

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

IMI, the metals and engineering group, is raising £27.5m from its shareholders in the first major rights issue by a manufacturing company since the onset of the recession. The company said the issue would enable it to finance expansion.

The move was seen in the City yesterday as a sign of the *relative resilience in IMI's* trading position.

While the results for 1980, announced yesterday, show a decline in pre-tax profit from £34.5m in 1979 to £28.2m last year, they are better than the figures reported by many other big manufacturing companies. IMI shares closed 1p higher last night at 61p.

The terms of the issue are two new shares for every seven held, at a price of 48p for each of the new 25p shares. The issue has been underwritten by Hill Samuel, whose chairman, Sir *Robert Clark, next month suc*ceeds Sir Michael Clapham as IMI chairman. The brokers to the issue are Cazenove.

Sir Michael said yesterday that although resources currently available to the company and its subsidiaries were adequate for existing needs, the directors believed it was now prudent to raise additional equity funds to enlarge the company's capital base and to provide for continuing expansion.

Sir Michael referred to the continuing high level of capital expenditure which was being sanctioned, including expansion of the titanium facilities.

Last year, IMI's capital spending totalled £25m, a level which will probably be maintained this year. The group will also be looking for expansion opportunities, from within and by acquisition as the world economy moves out of recession.

It is IMI's expressed intention to increase the proportion of its turnover from overseas, currently standing at 39 per cent.

IMI has taken the unusual step, in current economic circumstances, of forecasting a maintained dividend payment of 4.5p a share on the increased capital for the year ending December 31, 1981, "unless the present depression deepens even further or unforeseen circumstances arise."

The group's performance last year was described by the chairman as creditable, but it has seen no signs of any improvement on the low levels of activity towards the end of last year.

IMI benefited from its diverse range of activities in metals and engineering components, and particularly from the relatively, buoyant demand for titanuim, mainly used in the aerospace industry. But it is dependent on recovery in volume in the second half if it is to maintain its profit performance.

IMI warned yesterday that more redundancies in the UK were inevitable. However, it is not expected that these will be on the scale of 1980, when the number of UK employees was reduced by 3,500 to just over 22,000.

Details Page 26
Lex Back Page

Japanese discount rate cut to 6.25%

By Richard Hanson in Tokyo

THE JAPANESE Government yesterday lowered its discount rate one percentage point to 6.25 per cent as part of an *economic package to stimulate* domestic demand and boost certain exports.

The interest rate reduction was larger than anticipated and marked the third drop in Japanese interest rates since August, when the discount rate stood at a record 9 per cent.

Main features of the package are:

● Spending on public works will be speeded up, with 70 per cent of next year's contracts to be awarded in the first half of the fiscal year which starts on April 1.

● Government-run financial *institutions have been directed* to increase aid to small- and medium-size industries which have suffered most in the economic downturn over the past few months.

● The reserve requirement for Japanese banks is to be lowered, effectively releasing extra funds for lending in the next quarter.

● Housing construction will be further encouraged and electrical power generation accelerated.

● The competitiveness of Japanese plant exports is to be improved, with the more frequent use of mixed credits to ease financing for developing

Continued on Back Page

£ in New York

—	Mar. 16	Previous
Spot	\$2.2440-2460	\$2.2200-2215
1 month	0.38-0.45 pm.	0.44-0.51 pm.
3 months	1.05-1.15 pm.	1.30-1.40 pm.
12 months	4.15-4.35 pm.	5.20-5.40 pm.

Merger terms agreed by two bank groups

BY ANDREW FISHER AND MICHAEL LAFFERTY

STANDARD CHARTERED BANK and Royal Bank of Scotland yesterday agreed the terms for a merger of the two groups. The deal, which values Royal Bank at £312m, is worth 139p a share.

If it *goes through it* will create a major new British and international banking group with a stock market capitalisation of £866m, comparable in size with National Westminster Bank.

With the Standard Chartered terms on the table, Lloyds Bank immediately stepped in with a £145m bid for the 61 per cent of Lloyds and Scottish, the finance house which it jointly owns with Royal Bank, not under its control.

Lloyds' cash offer, aimed at bringing the size of its leasing and instalment credit business in line with that of the other clearing banks, was followed up by share purchases in the market which quickly gave it control.

Both Lloyds and Royal Bank each owned nearly 40 per cent *of Lloyds and Scottish. Lloyds'* purchases yesterday gave it a further 12.7m shares, bought at the 200p offer price, raising its stake to 49.9 per cent.

Lloyds' adviser, Morgan Grenfell, also bought 0.3 per cent, giving the bank just over half the equity. The bid puts an overall value on Lloyds and Scottish, including the shares Lloyds Bank already owned, of about £238m.

Standard Chartered is offering one of its shares and 50p in cash for every five shares in Royal Bank.

Mr. Peter Graham, Standard Chartered's group chief executive, said yesterday that the aim was to build a great bank.

Mr. Graham said Standard Chartered, a London-based overseas banking group, had been expanding but had "suffered from being an incomplete bank in that our European part has been the smallest and least important part."

The group was involved in export finance but being so without a domestic business tied one's hand behind one's back, Mr. Graham said.

Sir Michael Herries, chairman of the Royal Bank, described the deal as "obviously a merger with major consequences." From now people would speak of the Big Five British clearing banks rather than the Big Four.

Lord Barber, the former Tory Chancellor who is Standard Chartered chairman, said *the thought of a possible mer*ger between the two banking groups had been "in one's mind for some time."

On suggestions that the acquisition of UK assets might not be in the best interests of Standard Chartered shareholders, Mr. Graham said: "UK banking is probably the most profitable in the world." Margins had been maintained over the past decade, he said.

The announcement of the bid for Lloyds and Scottish brought a slightly pained response from the finance house's boards, which said it had had no forewarning of the offer.

It would need time to consider the bid adequately, it said, and would communicate with shareholders "in good time before action need be taken on the offer."

Lloyds said one reason for wanting to absorb Lloyds and

Continued on Back Page
Lex Back Page
Feature Page 22

ICL in new talks with banks

BY GUY DE JONQUIERES

ICL, Britain's loss-making computer manufacturer, held fresh talks with its major banks yesterday amid indications that the Government is renewing its efforts to help the company surmount its difficulties.

The Government is believed to be trying once more to formulate an all-British solution after studying, but rejecting, the possibility of a *partnership between ICL and* a major overseas computer company.

The list of candidates possessing the financial and *management resources* for the task is short, however, and efforts by the Industry Department to involve British Petroleum and Shell earlier this year were unsuccessful.

There still seems to be hope in Whitehall that the General Electric Company (GEC), which has substantial cash balances and major electronics interests, might be interested.

GEC said some weeks ago that it was not interested, but declined to say yesterday whether it was reviewing its position.

Things appear to have been further complicated by differences between key Government departments. The Industry Department is believed to be broadly sympathetic to Government support for an ICL recovery plan, but is understood to be meeting stiff resistance from the Treasury.

ICL lost more than £20m in the first quarter of its current financial year, which ended on September 30, and has forecast a further loss for the second quarter. It hopes to break even during the second half.

CONTENTS

For latest Share Index phone 01-246 8026

Bonn gives military a management lesson

BY ROGER BOYES IN BONN

WAR, according to the democratic axiom, is too serious a business to be left to generals. So, it seems, is the costly business of acquiring new weapons systems for the West German army. The Government, plagued by financial miscalculations in the Defence Ministry has taken the unusual step of installing a top-flight industrial manager to teach the general staff how to cope with cost escalation and how to get more value for money from West German arms manufacturers.

Herr Manfred Emcke has been allocated a desk in the Ministry and two assistants but will stay out of the civil service hierarchy—indeed he will be unpaid—allowing him to criticise more freely the current expenditure patterns of the defence staff. The immediate cause for his appointment is the financial maelstrom surrounding the Tornado multi-role combat aircraft. At short notice, the Ministry had to find some DM 1.3bn (£277m) to plug a gap in the budget to finance the aircraft, which is a joint project with Britain and Italy. A further cost burden is expected in 1981-82.

The main cause of the problem is also the main loser. The Luftwaffe, to finance the Tornado, will probably have to do without a joint British-French-German tactical combat aircraft for the 1990s.

Herr Emcke comes to the Ministry at a time of particularly bad blood between the services and when there is special resistance to further change. But he is not all abashed; in fact, his career has been a saga of making enemies in the name of efficiency.

Having started out with Krupp, Herr Emcke moved to Clark, the U.S. engineering company where he was said to be "a little on the assertive side." From there he went to a Wuppertal-based electrical and textiles group, helped bring it to profitability over seven years and then left after a row about whether members of the owner's family should be given an automatic position on the management board. Later he went to Reemtsma, the Hamburg tobacco group, and helped stop the sales slowdown. But his diversification plans met opposition and so again he left.

Herr Emcke may find reforming the Defence Ministry rather similar to introducing radical change to family owned companies. There is the same sense of loyalty, the same resistance to outsiders.

His task will be, within a tight financial framework, to reassess the relationship between the Defence Ministry and the defence industry. This will involve persuading West German and other European contractors to present more realistic costing estimates; it will mean West German industry taking over far more financial responsibility for defence-orientated research and development; and it will entail more competition in tendering for contracts.

His message is likely to be unpleasant not only for the Ministry but also for industry. Managerial efficiency, as monitored by Herr Emcke, and political expediency as preached by Herr Hans Apel, the Defence Minister, point in one direction—away from the domestic arms industry, away even from large scale European collaboration and towards the U.S.

That is a bitter pill for West German industrialists to bite and Herr Emcke is not the sort of man to sweeten it.

Radom delegation in Warsaw

By Christopher Bobinski in Warsaw

TALKS BEGAN in Warsaw yesterday between the Government and a delegation from the Radom branch of Solidarity which called off today's planned strike when the authorities agreed to dismiss local officials there.

The union in Radom is still demanding increased spending on health, housing and social services and wants the local police headquarters now under construction to be handed over to the health service. In their meeting with Mr. Mieczyslaw Rakowski, Deputy Prime Minister they are also wanting charges dropped against dissidents who are also union advisers, like Mr. Jacek Kuron, and against four members of a political group whose trial is coming up soon.

Mr. Lech Walesa, Solidarity's leader, aided by Mr. Kuron, persuaded the union branch to call off their strike action on Monday.

Meanwhile, around 100 farmers in Bydgoszcz in central Poland have occupied the local headquarters of the rival affiliate of the Communist Party. They are demanding the right to form a free trade union.

Communist Party members who are trying to mount an anti-semitic campaign against Polish dissidents working with Solidarity have been strongly criticised by General Mieczyslaw Moczar, a politburo member and one-time Minister of the Interior.

In an interview published yesterday in Zycie Warszawy, the Warsaw daily newspaper, Gen. Moczar, who is held responsible for an anti-Semitic purge in 1968 said: "I don't think it's possible to whip up an anti-semitic mood in Poland. The party authorities simply won't stand for it."

The "Grunwald Patriotic Association" organised a small meeting in Warsaw on March 8 at which it charged that communists of Jewish origin were solely responsible for the excesses of the Stalinist period in Poland.

Gen. Moczar's interview politically isolates the group and it is clear he is anxious to project publicly the moderate line he has followed since the crisis in Poland began

BUNDESBANK HINT OVER EXPIRY OF BANK CURBS

Foreign lending restrictions may end

BY STEWART FLEMING IN FRANKFURT

THE "gentleman's agreement" between the Bundesbank and the West German banking industry, under which the banks have restricted longer term foreign lending to help ease pressure on the D-mark, is unlikely to be renewed when it expires at the end of the month.

Frankfurt bankers are convinced that, in view of the improved performance of the D-mark and the higher level of domestic interest rates compared with December when the agreement was reached, the Bundsbank will not insist on retaining restrictions

A strong hint to this effect has come from Dr. Helmut Schlesinger, vice-president of the Bundesbank, who says that the prospects for allowing the agreement to expire have significantly improved.

Factors expected to influence the Bundesbank include the likelihood that demand for foreign loans in West Germany is likely to be weaker now that interest rates have risen. At the end of February the central bank temporarily abandoned granting banks Lombard credit daily at 9 per cent and instituted a "special Lombard" system priced at 12 per cent which is not automatically available to the banks.

One Frankfurt banker remarked that the Bundesbank is probably uncomfortable with a system which restricts the free flow of capital and would prefer to leave the markets to ration credit. He suggested, however, that the banks will be warned that if they do not exercise prudence in their foreign lending and avoid excessive exports of capital new measures would have to be considered.

Unions hold out for 5.5% wage increase

BY OUR BONN STAFF

WEST GERMANY'S annual wage round, peppered by angry protest strikes by several hundred thousand workers yesterday entered a crucial stage with the union rejection of an employers' offer of a 4 per cent wage increase.

The offer came in the Baden-Wuerttemberg metal-working and steel industries whose wage settlements set the pace for the rest of German industry.

Herr Franz Steinkuehler, a key regional leader of IG-Metall, the metal-workers' union, described the offer as a "provocation" and emphasised that the minimum acceptable wage rise was 5.5 per cent.

The negotiating positions of the two sides have thus narrowed considerably over the past fortnight. Originally the employers had offered no more than 2.5 per cent and the unions had demanded 8 per cent. It is clear, however, that the 1.5 per cent difference will be bitterly contested. Both the metal-working employers and IG-Metall say they have gone as far as they can.

The acid test for IG-Metall will come later this week in the Hessen negotiatng district where a 4 per cent offer has also recently been turned down. If the employers are willing to push up the offer slightly and embellish the wages of the lower paid within the union, a settlement could be within reach. But last night there was no sign of any willingness to compromise on either side.

The metal workers—IG-Metall represents more than 3m workers—have argued that their wage increase must match the rise in the cost of living. This was originally intended to leave the path open for 4-5 per cent wage settlements in line with official forecasts of inflation in 1981.

But now, with the weakness of the D-Mark having boosted imported inflation and with higher petrol tax, the rank and file is insisting that wage rises will have to be more than 5 per cent. Herr Steinkuehler and his fellow union leaders thus have full membership backing for a 5.5 per cent rise.

West Germany's official growth forecasts for this year are predicted partly on wage settlements of some 4-5 per cent, though the Government has strictly avoided making any recommendations. These forecasts could thus be thrown seriously awry if the employers concede to the unions at this stage.

Divorce strains ruling Spanish party's unity

BY ROBERT GRAHAM IN MADRID

THE SPANISH Parliament yesterday began a long awaited debate on the introduction of a Bill to make divorce legal for the first time since 1939. This has caused a serious split within the ruling Union de Centro Democratico (UCD), with conservative Catholic elements in the party pressing for major modifications in the draft Bill already agreed by an all-party committee.

However, in the wake of last month's abortive coup the party has been under strong pressure to paper over these differences. Thus the debate over the coming weks will be a test of party unity.

The parliamentary committee approved the draft Bill on December 19 and it was due to be debated last month. But, the resignation of Sr. Adolfo Suarez as Prime Minister, and then the coup delayed discussion.

The Roman Catholic Church, strongly backed by the Vatican, has made no bones about its opposition to the Bill. The powerful Spanish bishops conference has come out with a series of public statements and private hints to politicians opposing both what they regard as a weakening of the family as an institution and a loosening of ecclesiastical jurisdiction over matrimony.

These objections found an important echo among the military and had allies within the conservative Catholic wing of the UCD which has fought hard to amend the draft. These pressures were an important element in the anti-Suarez campaign which led to his resignation on January 29. They were further evident at the party congress in Majorca last month where the principle of some modifications to the draft Bill was conceded.

The party executive has a majority in favour of the draft but a majority of UCD deputies in Parliament support a more conservative law. They are pressing for the legislation of divorce only after irreparable breakdown of the marriage which can be proven in the courts.

They want to change the draft's proposal that mutual consent will provide sufficient ground. Further, they are seeking to give the judge great discretion over whether or not to accept divorce in cases where the offspring are minors or handicapped.

The opposition Socialist and Communist parties, for their part, have insisted the draft go ahead unaltered. They regard it essential to bring Spain into line with the rest of Europe and point out that the proposal is not very progressive but certainly closes existing hypocritical anomalies of annulments.

A recent poll showed that 65 per cent of all Spaniards favoured legalisation of divorce.

Mr. Zijlstra . . . goes next January

Netherlands central bank chief to resign

By Charles Batchelor in Amsterdam

DR. JELLE ZIJLSTRA (62), president of the Dutch central bank and the Bank for International Settlements for nearly 15 years, will step down in January. He is succeeded at the central bank by Dr. Willem Duisenberg, a former Minister of Finance.

The Dutch Government announced in October that Dr. Zijlstra had been appointed for his third seven-year term, the period required by the Netherlands bank's rules. But it was widely assumed that Dr. Duisenberg, appointed a director of the bank at the same time, would succeed shortly.

Dr. Zijlstra will also relinquish his BIS position. A successor will be chosen later this year. Dr. Zijlstra was the second Dutchman in succession since the war to head the BIS, the central banker's central bank.

In his years at the head of the Netherlands' bank, he has built up a considerable reputation for the clarity of his thinking and the determination with which he pursued his commitment to issues such as a firm guilder and the eradication of inflation.

Dr. Zijlstra's career spanned the academic world, politics and banking. He began his professional life as Professor of Economics at the Free University of Amsterdam, subsequently holding the portfolios of Economics and Finance in Dutch governments during the 1950s and early 1960s.

Dr. Duisenberg (45) has worked for the International Monetary Fund in Washington and was also briefly an adviser to the Netherlands central bank before taking up a lectureship at Amsterdam University.

He was Finance Minister under the left-wing Government of Mr. Joop den Uyl in 1973-77 and became a director of the agricultural co-operative Rabobank in 1978.

Dr. Duisenberg has recently voiced strong support for a plan to allow the tightly controlled Dutch banks to increase the volume of risk capital they provide to industry.

Men and Matters, Page 22

EEC offers little in response to China food plea

BY JOHN WYLES IN BRUSSELS

EEC GOVERNMENTS appeared ready yesterday to offer only a modest contribution in response to China's first ever appeal for emergency food aid following widespread crop destruction in two privinces. Discussing the issue in restricted session, Foreign Ministers decided about £2.7m worth of milk powder and rape seed oil was available from the hard pressed EEC budget.

This is only a fraction of what the Chinese are believed to need to deal with widespread famine and malnutrition in the provinces of Hubei and Hebei which are said to be affecting anything between 44m and 130m people.

Officials say that the £20m or so used for funding cut-price food sales to Poland over the past few months means that there is little left in the EEC's emergency aid cupboard.

Ministers apparently were deeply concerned that China may think the offer derisory. But they are relying on unofficial indications from the United Nations Disaster Relief Organisation that about 2,000 tonnes of milk powder and 8,000 tonnes of rape seed oil would be a useful contribution. They also agreed that the Community would take part in a donors' conference to be organised soon by the UN body.

The Chinese have not yet made a formal request for aid to the world's main food producing countries. Their objective appears to be to secure guarantees of supplies before making formal requests. Generally, Peking's total needs are said here to be very much larger than anything the Community could supply even if all its stockpiles of surplus food such as cereals, beef and butter were handed over.

Reuter adds: The Commission has released EEC aid to El Salvador frozen last month at the request of the U.S., officials said.

Ten put 'best-endeavours' behind a Euro-passport

BY OUR BRUSSELS CORRESPONDENT

IT IS to be Burgundy-coloured, the words European Community will be displayed at the top of the front cover and it may contain a special machine-readable page to alert officialdom to your non-payment of taxes. It could also land several EEC Governments into an enormous row with their Parliaments.

"It," of course, is the European passport, one of the basic building blocks of Europe which, for more than six years, has been crumbling along with many other ideals on a waste-ground deliberately neglected by national Governments. Now, thanks to a substantial push from the European Parliament, the Ten have agreed to use their "best endeavours" to introduce a European passport by January, 1985.

They did so behind a smoke-screen of declarations on Spanish membership of the EEC, negotiations on insurance directives, and scuffles over farm prices which some Governments may hope will choke the reaction back home.

Despite the enthusiasm for the idea displayed last year by MEPs, the passport is still anathema to sizeable groups in the British, West German, French and Danish Parliaments.

It has been agreed that the front cover will bear, in the following order, the words European Community, the name of the issuing state, its national emblem and the word passport.

The machine-readable page inside could lead to a swifter but more anxious passage through immigration control as the machines will be linked to a computer which will inform officials whether the passport bearer should be detained

There are still some technical details to be sorted out. But there are few doubts that the Euro-passport is on its way. The final product may nevertheless display some cheating: whispers from the British suggest that careful measurement will reveal the United Kingdom lettering to be somewhat larger than the European Community letters. A typical Euro-compromise.

Paris police move strikers

BY OUR PARIS STAFF

POLICE were sent in for the second day running yesterday to clear pickets out of Paris bus depots as drivers stepped up their strike and railwaymen were called out in sympathy.

The dispute, over late-night security on the buses, was due to make its first real impact on the city's rail system today, with a strike call by the Communist-led CGT union, representing about one in three train drivers.

A 24-hour stoppage, called by the other main national union organisation, the left-wing CFDT, failed to bring much disruption on the underground rail network yesterday.

Most bus drivers were reported to have joined the week-old strike after police intervention in all but one of the city's 23 depots. Bus services were reduced by more than 60 per cent yesterday, with both the CGT and the CFDT backing the strike.

Nearly everyone involved claims to support the immigrants but the immigrants gain nothing, writes **David White** in Paris

French 'ghettoes of misery and immigration' become a real issue

THE TRAIN taking airline passengers from Charles de Gaulle Airport to the Gare du Nord stops on the way at Aulnay-sous-Bois, deep in the "Red Belt" of suburban Paris. There is nothing much to see there, and even those who have heard of it in the context of France's recent race scandals would find the evidence of friction tame by British standards.

But Aulnay is a good example of two phenomena which have surfaced here and in other working-class areas in the past three months: a curious and unpleasant means of gaining notoriety on the part of the Communist Party and, beneath the political quarrelling, signs of local resentment towards the immigrant community, which outsiders find easy to underestimate and the authorities convenient to obfuscate.

The area the fuss is about in ... ulnay is a housing estate on ... the ... side of town. Some ... years to the first ... back ... nes for people from the ... villes, the disgraceful ... s which used to surround Par... s like a ring of sores.

Although the place is well appointed with schools, play areas, a creche and a library, it is characterlessly bleak. The plumbing in some flats has already started to break down. The white French residents, after a few years subscribing to home-savings plans, began moving out five or six years ago. Those who remained are outnumbered more than two to one by West Indians, North Africans and Southern Europeans, whose numbers have doubled in the interim. The trend will not continue, because from now on foreigners are barred from housing allocations.

Communist ... agreed by Aulnay's series of actions supported by the party in a campaign against "ghettos of misery and immigration" which it accuses the Government of creating deliberately in Opposition constituencies. In the co... ...down to the presidential el... on— the first round of votin... s on April 26—the question ... race has been dragged out ... the open.

It is odd that it sho... have taken until now to b... e a real public issue. Franc... hich has 4m non-voting ... ent foreigners, more than ... her European country and ... ird of the European Com... ity total, stopped the main immigration in 1974. ... of people to settle legal... ly then have been close ... ice ... is, Community nationals and refugees. As a result of tighter restrictions (which the Communists were the first to criticise) and a repatriation scheme offering £900 and a one-way ticket to anyone who promises never to come back, there are signs that the number of foreigners may actually have started to drop.

With the admittedly important exception of Algerians, the largest immigrant community after the Portuguese, France has accepted with relative ease people of different races—socially, educationally and professionally. The last speaker of the Senate, for instance, was black. The country has always taken in, and continues to take in, large numbers of political refugees. At the last count, just over a year ago, there were 143,000.

But tougher laws and adminisrative harassment have worn down the image of France as a "land of refuge."

And, as unemployment swells, racism appears on the rise: the Communists' actions may simply result from their having reached this conclusion.

In Alsame the other day, an appeals court judge, reducing the sentence against a right-wing extremist fined for inciting racial hatred, justified his decision by saying: "The accused did no more than express what a good part of the population, rightly or wrongly, currently thinks."

The question is whether the Communist Party is speculating on racism to boost M. Georges Marchais' election vote, which opinion polls suggest may drop as low as 14 to 15 per cent compared with the 20 per cent the party can usually count on in a national election. But that is not the only consideration. The party, the second-largest Communist organisation in the West, needs to regain its slipping hold on outer Paris, its main base, and archetypal Communist territory.

The party is never stronger than when it is under attack. Since a now-famous Christmas Eve assault on an empty immigrant hostel in Vitry, south-east of Paris, headed by the local mayor and the district party chief, who wanted to stop African workers being moved in, the words "bulldozer" and "commando" have been used like slingshots against the Communists.

Perhaps it says something about the people who can have been orchestrating the counter-attack that what they call a bulldozer was in fact a mechanical shovel. They are certainly not construction workers.

The Communists gaily throw the charges of racism back at the Government. The party, which in the past has brandished the slogan "Frenchmen, immigrants—same struggle," can claim to have defended foreign workers' rights as much as anybody. It has campaigned against "sleep merchants" renting overcrowded accommodation, and against the exploitation of foreigners in jobs which Frenchmen would be unwilling to touch.

The Communists' complaint is that the race problem has been placed on their doorstep. One Paris suburb claims to have 27 per cent immigrants and to spend 60 per cent of its social assistance funds on these families.

In schoolrooms, the rate can reach 75 per cent. One school in a Communist borough boasts 16 nationalities.

The party's campaign is not new. It raised the issue last spring and in the autumn called for a complete halt on immigration. Back in the early 1970s it was in favour of clearing the *bidonvilles* but demanded an even distribution of the inhabitants, charging the richer boroughs with bypassing their legal obligations in this respect.

But the basic point — Government negligence — is one thing; methods are another. In Vitry, the local government claimed that the hostel was unsuitable for the workers due to move there, temporarily, from a neighbouring, majority-controlled borough. By tearing out the telephone wires and severing gas and heating pipes, the raiders tried to make it even more unsuitable. But the 318 bewildered Malians moved there anyway.

But other actions appear too outrageous to form part of a considered national policy: housing bans, for instance, against West Indians who are legally full French citizens, or a 15 per cent quota for foreign children on a municipal holiday camp.

These revelations have eclipsed other racial incidents, such as the case against three legionnaires who set fire to an hotel in Orange, killing two Senegalese immigrants, and brought the wrath of the press crashing down. M. Marchais has gained extraordinary publicity from them. But it remains to be seen whether the exposure will do him any good. The rift in the Left and in the union movement has widened, and many of the party's own supporters are scandalised. In the main Renault works outside Paris, known as the "Red Citadel," the Communist-dominated CGT union held an unprecedented token strike against the party. And M. Marchais, when he claims that the party's "fraternal and responsible position" is "appreciated and approved of by the vast majority of immigrant workers," must be joking.

But the Government, too, lays itself open to charges of hypocrisy. M. Lionel Stoleru, secretary of state for manual workers, says France is the most liberal country in Europe towards its immigrants. Last October, when 1,300 Moroccan coalminers were on strike, his reaction was: "They will not have their contract renewed. If they wish to go home, we will not hold them back."

Recent measures to assist integration are small beer when set against the climate of insecurity created in the past three years by a reinforcement of police powers and a clamp-down on work and residence papers.

The problem used to be essentially the North Africans, who have always faced the greatest assimilation difficulties. Algeria cut off emigration to France in 1973 because of racial violence, and last year reached agreement on repatriating some of its citizens. But the problem communities now include blacks and, in areas such as the Paris *quartier* known confusingly as Italie, South-East Asians.

The irony of France's race controversy is that everybody involved, barring a very small extreme-right minority, claims to be on the immigrants' side. But the immigrants gain nothing in the process.

The Communists have campaigned against immigrants being exploited in jobs which Frenchmen would be unwilling to touch

Mitterrand takes tough line on Communists

THE conditions set by M. Mitterrand, Socialist candidate in the French Presidential election, on the appointment of Communist Ministers to any government he heads has answered one of the most important questions raised about the likely consequences of the Socialist leader's election as President, writes Robert Mauthner in Paris.

Middle-of-the-road voters who have always been scared of "the red connection" might now be more easily persuaded to opt for the Socialist candidate. But his statement, in his first big television interview on Monday night, is also likely to have alienated many Communist voters.

To prevent Communist disaffection, M. Mitterrand made clear in his statement that his remarks were aimed at the party leadership and that he relied on the Communist rank-and-file to re-create the Left-wing unity their leaders had abandoned.

"As long as the Communist leaders continue their anti-Socialist campaign and the gap between the Socialist and Communist positions on foreign affairs, such as Afghanistan and Poland, remains as wide as it is, it would be unreasonable, nor right, to believe that there will be Communist Ministers," M. Mitterrand said.

He quickly added that he needed the support of the 5-6m Communist voters who M. Giscard d'Estaing, the outgoing President, had "excluded."

M. Mitterrand also gave more details about his economic programme, which includes the nationalisation of "about 10" industrial groups, "belonging to a family, one person or a group with a monopoly in a key sector of the economy." Though he did not name the groups he indicated that they corresponded broadly to the list included in the original common programme of the Left, which came to grief in 1977.

Among the other economic proposals were the creating of 210,000 jobs in the state sector, stimulating the economy through a wide-ranging programme of public works and increasing the wages of the lowest paid, and the introduction of a 35-hour working week.

FINANCIAL TIMES, published daily except Sundays and holidays. U.S. subscription rates $365.00 per annum. Second Class postage paid at New York, N.Y., and at additional mailing centres.

South African current account moves into deficit

BY BERNARD SIMON IN JOHANNESBURG

THE current account of South Africa's balance of payments moved into deficit in the final three months of 1980 for the first time in four years, according to figures published by the Reserve Bank in Pretoria yesterday.

And a substantial current account deficit is likely this year, the Bank said, although the size will largely depend on the course of the gold price. An average price of close to $600 an ounce would, apparently, keep the current account in balance.

The Reserve Bank disclosed that gold accounted for 51 per cent of South Africa's export earnings last year, the highest proportion gold has taken in 35 years.

The falling gold price and a sharp rise in imports pushed the current account from a record surplus of R2bn (£1.13bn) in the first quarter of 1980 to a small deficit of R89m in the fourth quarter.

On a seasonally adjusted, annualised basis however there was still a current surplus of R440m in the past three months, compared with a R7.5bn surplus in the first quarter. The surplus for the year as a whole was R2.6bn, slightly below the 1979 record of R3bn.

Nonetheless, the authorities have expressed confidence that even a current account deficit of over R1bn can be covered by inflows into the capital account, including long-term loans and offshore trade finance.

According to the Reserve Bank, gross domestic product rose by 8 per cent in real terms last year, one of the highest increases on record. The growth rate in 1979 was 4 per cent.

The main impetus to last year's strong growth came from an 8.5 per cent jump in real private consumption spending, a 12.5 per cent rise in fixed investment and a large increase in inventories.

Economic analysts generally believe that the upswing, which began over three years ago is the longest since the war, is close to a peak and may already have passed it.

Interest rates have risen sharply in the past six months and the property market, one of the chief beneficiaries of the boom, has already begun to weaken. This year's growth rate is expected to be between four and five per cent in real terms.

Yamani meets oil ministers in Riyadh

BY RICHARD JOHNS, MIDDLE EAST EDITOR

SHEIKH Ahmed Zaki Yamani, the Saudi Oil Minister, met yesterday in Riyadh with his counterparts from Kuwait, the United Arab Emirates, and Qatar for consultations that could have a crucial bearing on the Kingdom's production level for the second quarter of this year.

After their talks as official Saudi Press Agency quoted Sheikh Yamani as saying they had not considered cuts in production and that their discussions had been about co-ordinating policy, particularly towards the Organisation of Petroleum Exporting Countries.

Nevertheless, in the soft market conditions currently prevailing, Saudi Arabia's Supreme Petroleum Council now has to make a critical decision about the future rate of output of its crude which is still relatively cheaper than that of other OPEC members. Saudi production has been running at 10m-10.3m barrels a day, about 40 per cent of the collective OPEC total since the outbreak of the Gulf war.

This imbalance on OPEC's collective output has put pressure on the premiums charged by some members, including Kuwait. At the outset its negotiations with customers for the 12-month period starting next month it demanded an extra $4 per barrel for what are termed "extra" supplies over and above its basic official selling price compared with $5.50 charged for the year just coming to an end.

Saudi Arabia wants to maintain some pressure to bring down the price of the more costly crudes of fellow member states as a means of bringing about alignment of prices within OPEC.

At the same time, Saudi Arabia is concerned not to arouse the hostility of other members of OPEC

Saudi Arabia is expected to terminate supplemental contracts, involving about 450,000 b/d, that it entered into to help consumers hit by the cut-off of Iraqi exports.

Fears of unrest stall Zimbabwe election plans

BY OUR SALISBURY CORRESPONDENT

HOURS AFTER the Zimbabwe government announced the second postponement of local government elections, in the Bulawayo area police reported that two more whites had been killed.

The deaths in the Fort Victoria area brought the number of whites killed, three in the past week, to four.

Meanwhile, in Bulawayo the Minister of Local Government announced the further postponement of the local government elections scheduled for March 28-29 because of the risk of further political unrest.

The Minister, Mr. Eddison Zyobgo said that because of the danger of renewed political unrest in Bulawayo where some 300 people died in political faction fighting last month and more than 50 were killed in similar disturbances last November, the elections had been postponed indefinitely. The elections were originally postponed after the first outbreak of party political violence in November.

The move is likely to increase criticism of the Mugabe Government by Mr. Joshua Nkomo's Patriotic Front (ZAPU) followers who could have expected to sweep the polls and win a convincing victory in the country's second largest city.

More UN clashes threatened in Lebanon

By David Lennon in Southern Lebanon

CALM RETURNED to Southern Lebanon yesterday after Monday's blood-letting in which two United Nations soldiers from Nigeria and one Israeli officer died and many more were injured.

But the commander of the Israeli backed South Lebanese militia warned that there would be more trouble between *his forces and the UN* troops.

Three years after Israel withdrew its invading troops who had sought to destroy the Palestinian strength here the struggle to dominate the region is still very much alive.

Most of the casualties of Monday's clashes were victims of the South Lebanese militia's resistance to attempts by the Beirut Government to extend its influence southwards by moving a few of its troops near to the borders of the militia-controlled area. It was a militia artillery barrage directed at the Lebanese soldiers which killed the Nigerians, and militia commander Major Saad Haddad yesterday reportedly threatened further clashes.

The Israeli officer died while trying to defuse a bomb planted by Palestinian guerrillas and the Israelis complained that if the UN troops were doing their job properly the guerrillas would never have been able to plant the bomb.

The result has been a reinforcing of the mutual antagonism in this small area where the Lebanese civil war and the Israeli-Palestinian conflict are still being fought in a sporadic but deadly manner.

The Israeli troops who swept through southern Lebanon up to the Litani River in March 1978 thought they were going to destroy the Palestinian guerrilla threat to Israel's northern villages. To some extent they succeeded but in doing so further complicated the Lebanese issue.

Withdrawing under international pressure Israel handed over part of the captured territory to the 6,000 troops of the hurriedly-created UN interim force in Lebanon (UNIFIL). A 10km-deep stretch along the length of its border was given to the Southern Lebanese Christian militia commanded by the rebel Lebanese army major, Saad Haddad.

UNIFIL divides its energy between preventing Major Haddad from enlarging his territory and trying to control the Palestinian guerrillas. The major, meanwhile, battles UNIFIL, the Palestinians and the Government in Beirut which he describes as a puppet of Syria.

Israeli backing for the major, who now commands 1,300 full-time soldiers and 800 civil guardsmen equipped with Sherman tanks, artillery and armoured personnel carriers, has earned deep animosity from the countries whose forces serve in UNIFIL. It has also drawn Israel increasing into the affairs of Southern Lebanon.

***Israel supplies southern* Lebanon with water, helps farmers market their produce when the road north is blocked and the earnings of the cross-border workers is paying an increasingly important role in the economy of the 100,000 people living in the militia strip.**

"This is the only place in the world where Jews give petrol to Arabs," quips an Israeli officer.

Kevin Rafferty, in Hong Kong, assesses the implications of changes in the recent budget

Hong Kong faces a less free-wheeling future

EYEBROWS ROSE when Sir Philip Haddon-Cave, Hong Kong's Financial Secretary, forecast another bumper year in his 1981 budget speech. It seemed rather optimistic. The economies of the Western industrialised countries, which take 75 per cent of Hong Kong's exports, are still sluggish, and clamours for protection are rising anew in the West.

Economists were quick to spot that much of the buoyancy would come from increased growth in public expenditure. This led some to ask if this higher government spending presages the end of Hong Kong's era of free-wheeling private enterprise, in which the Government holds the ring and maintains security and basic structures to allow businessmen and bankers to run the economy.

Certainly not, Sir Philip and other officials would quickly reply. They stick by the philosophy which won for Hong Kong the Milton Friedman seal of approval: that the Government even in a concentrated and compact city state is not competent to try to run the whole economy. It is best left to market forces.

Yet despite this high ambition, Hong Kong is discovering that market mechanisms do not provide the panacea for economic problems. The Government's role, direct and indirect, has increased and is likely to go on increasing.

The Financial Secretary stressed the need to keep a check on government spending, *but produced a budget which* will take the public sector share of gross domestic product to record levels.

Sir Philip said: "By 1980-81, the size of the public sector was over 21 per cent and, whilst I don not regard this as an absolute limit for all time, for the time being any further increase ought to be avoided." Yet, in the coming financial year, public sector spending will rise by more than the rate of economic growth and the share of the sector, according to Sir Philip, will reach 22.4 per cent. Seven years ago the public sector share was 15 per cent.

The overcrowded urban environment of Hong Kong contains almost endless deficiencies for the Government to remedy: housing, education, social welfare and transport among them. One problem is that it is usually easier to step up spending to help the economy out of recession than it is to curb it during the upswing.

Government spending as a countercyclical instrument has especial dangers in a place like Hong Kong, accustomed to the cold shower discipline of the free market. In other countries, Governments may intervene at times of stress to minimise the changes in the *status quo*, but in Hong Kong the conventional wisdom sees the *status quo* as standing in the way of progress.

Governments in other countries may intervene to restore the status quo, but the conventional wisdom in Hong Kong is that the status quo is an obstacle to progress.

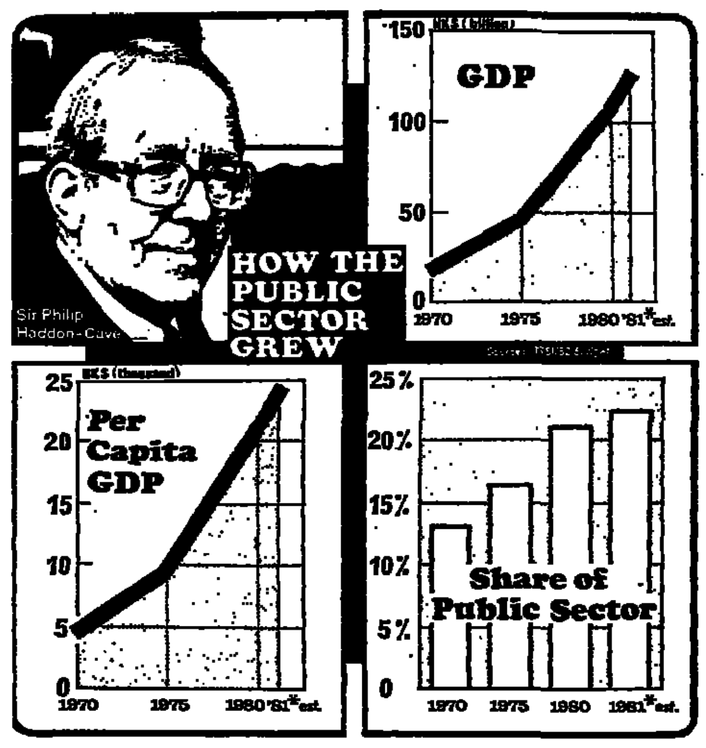
The territory has traditionally done best at times of stress Manufacturers and workers have been flexible enough to move almost overnight from, say, making plastic flowers to making wigs or electronic toys. Any government feather-bedding which would reduce the incentive to take risks would sound the death knell of Hong Kong—"Reduce us to the self-satisfied sloth of the West," as one official put it.

Direct spending is only one form of government intervention. Far more telling may be indirect influences, and in more and more ways the Hong Kong Government is being called on to intervene indirectly. In modern economies, the market alone will not do the trick. Especially in a small, crowded, vulnerable territory like Hong Kong, other supports are necessary.

The most obvious is political. If Hong Kong is to thrive it needs markets, and although this is an open port, other, bigger economies are closing *their doors to Hong Kong's* goods. It may be a tribute to the success of the territory's free market policy, but it makes Hong Kong more vulnerable, rather than less.

Hong Kong has to move faster than the restrictions and to upgrade from rag trade textiles to high fashion, from simple assembly to complicated electronic products. In many areas it is becoming clear that market forces on their own may work against Hong Kong's greater interest. In textiles, for example, the cut-throat struggle for quotas leaves the bright newcomer behind. But frequently it is the small concerns which are most anxious about design and increasing value added, whereas the established companies are keener to secure longer-running orders which cut costs and are simple.

In recent months a wider debate has been joined as to whether the Government should intervene directly with the market mechanisms to push the economy along. The trickiest area is land. Hong Kong is already cramped and rents have soared to City of London levels. There has been an outcry for the Government to introduce controls before the territory finds its goods priced out of world markets.



This the Government has steadfastly refused, claiming that it cannot interfere. What it has done is to increase the amount of land it has been putting on the market.

Hong Kong may be said to be lucky that it has no land-gobbling industries like steel, but this also represents the Government's choice: to keep industry on the light side, where changes can swiftly be made to suit world markets.

Controversy has arisen over the way the Government has chosen to upgrade financial structures. Plans to introduce laws forcing directors and major shareholders to disclose their holdings and dealings sent shudders through the stock market. "The Financial Secretary is trying to make the stock market something more than the gambling casino it is," commented one foreign banker. But he also accused the Financial Secretary of "naïvety" over plans to organise a new class of merchant banks and to limit the role of deposit-taking companies, which the banks accuse of having creamed off their deposits by offering higher interest rates.

Sir Philip Haddon-Cave concluded *his February budget* with the resounding determination to make Hong Kong "the international city in the Far East." If so, he will have to consider more and more regulations to drive the normally freewheeling spirits along careful lines. To do this, the policy's critics fear, he may need to create a whole new industry—of civil servants.

U.S. emphasises switch in Latin American policy

BY JUREK MARTIN, U.S. EDITOR, IN WASHINGTON

General Viola: delighted with U.S. welcome

THE WELCOME accorded to the Argentine President-designate by the Reagan Administration this week is the most important symbolic gesture to date by the new U.S. Government to show that it is ditching President Carter's Latin American policies, especially in the area of human rights.

General Roberto Viola was due yesterday to confer with President Reagan, Vice-President Bush, Mr. Caspar Weinberger, the Defence Secretary, and the congressional heirachy. On Monday he saw Mr. Alexander Haig, the Secretary of State, and pronounced himself "extremely satisfied" with the exchange of views.

It is thought likely that the Administration will ask Congress shortly to repeal the ban on military supplies which was imposed on Argentina in 1978 because of the regime's violation of human rights. This request may be coupled with a similar request that the embargo on U.S. covert assistance in Angola be lifted.

The Administration has made it clear that it believes the strains on U.S.-Argentine relations in recent years were directly attributable to Carter human rights policies. It claims that the same policies bedevilled relations with Chile and it has already lifted some military and economic sanctions imposed against the Pinochet Government.

In future, the U.S. will make any complaints against human rights abuses through private diplomatic channels, which it says are more effective. It contends that authoritarian regimes of the Right are inherently more "open" societies than those of the Left and that it will, henceforth, direct its human rights fire against Communist totalitarian regimes.

The new direction in U.S.-Latin American policy is not proceeding entirely smoothly. Several of the emerging powers in the region have made it clear that they do not share the U.S. perception that Cuban-led Communist subversion, rather than indigenous economic and political problems, constitute the greatest threat to inter-American security.

Sr Lopez Portillo, the Mexican President, has asserted, to Washington's discontent, that he values Mexican relations with President Fidel Castro. He has urged the U.S. to pursue a political solution in El Salvador and to minimise its military involvement. Mexico, of course, has provided a haven for the El Salvador opposition.

Mexico is additionally irritated because of what it considers to be the insulting pending appointment of Mr. John Gavin, the Hollywood actor, as next U.S. ambassador to Mexico City. It is also displeased that, at U.S. insistence, the Planned North-South summit, due to be held in Mexico City in June, has been deferred until the autumn.

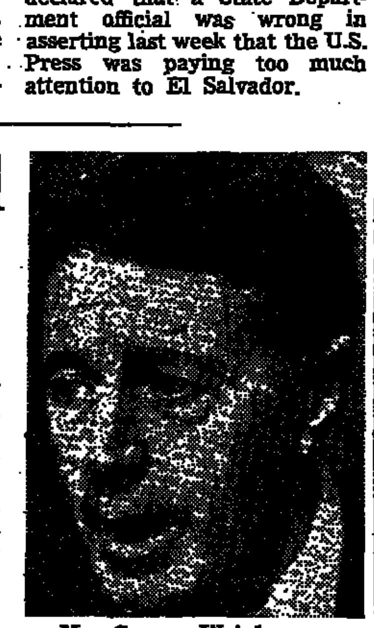
Nor is U.S. domestic political opinion, already exercised by American involvement in El Salvador, necessarily at ease with the new direction. This was given point yesterday when it was announced that Senator Dennis Deconcini, the Arizona Democrat, is under round-the-clock police protection having received threats to his life after a television interview in which he named high Bolivian Government officials as leaders in the narcotics traffic.

In a brief public appearance before a congressional committee yesterday, General Viola sought to convey the impression that not all South American military regimes are unsavoury. But many U.S. politicians remain convinced that some of these regimes are actively involved in international terrorism and drug trafficking. They see these activities as exemplified by Chile's role in the assassination of the leading expatriate dissident, Sr. Orlando Letelier, in Washington in 1976 and now, perhaps by the threat, and now, perhaps, by the threats to Senator Deconcini's life.

● The White House has declared that a State Department official was wrong in asserting last week that the U.S. Press was paying too much attention to El Salvador.

Naval experts named to missile panel

BY DAVID BUCHAN IN WASHINGTON



Mr. Caspar Weinberger

THE U.S. Defence Secretary, Mr. Caspar Weinberger, has lent credence to the suggestion that the Reagan Administration may base the new U.S. intercontinental MX missile system at sea, by appointing three naval experts to a special panel on the MX.

The Carter Administration's plan was to deploy the MX in several thousand shelters along specially constructed race tracks in Utah and Nevada. This has run into strong opposition from environmentalists and also from Mr. Reagan's own wing of the Republican Party which dominates those states.

Mr. Weinberger has promised to decide this summer on how the MX should be based and has instructed a 15-member study group to report by July 1. The Defence Secretary has suggested the MX might be deployed at sea on small surface ships.

This would mean that the U.S. would not have a land-based element in its nuclear arsenal, once the existing Minutemen missiles were scrapped but it might be as effective as the present "Triad" of missiles launched from bombers, submarines and land.

Other proposals would place the MX on small submarines in safe locations, such as the Great Lakes. The purpose of the MX is to have a mobile system so as to frustrate the growing accuracy of Soviet targeters, which has begun to jeopardise the Minutemen missile system.

The naval experts appointed to the MX panel are Admiral Worth Bagley, a surface ship specialist, Professor William Nierenberg, an anti-submarine warfare authority and Mr. James Woolsey, a former Under-secretary of the Navy.

Canada told that interest rates must remain high

BY VICTOR MACKIE IN OTTAWA

CANADA's interest rates must remain high for some time, according to Mr. Gerald Bouey, governor of the Bank of Canada.

His annual report to Parliament, published yesterday, said high rates were essential to dampen inflation. Even with consumer bank loan rates near 20 per cent, the battle to reduce Canada's inflation rate from the current 12 per cent would still take time, he said.

Mr. R. W. Lawson, the bank's senior deputy governor, added yesterday: "It is not possible to have much lower interest rates in Canada until inflation is reduced." Even with the Bank of Canada rate at more than 17 per cent, demand for credit has been "astonishingly strong."

The central bank has held interest rates at high levels for several months to try to dampen consumer buying and to keep Canadian rates roughly in line with those in the U.S. so as to prevent a decline in the value of the Canadian dollar.

Our Foreign Staff adds: Several large U.S. banks reduced their prime lending rate to 17.5 per cent from 18 per cent yesterday, following the lead set last week by Chemical Bank of New York.

Among banks moving to the new level yesterday were Citibank, which reviews its rate every Tuesday, Morgan Guaranty and Irving Trust.

Record share trading by foreign investors

By David Lascelles in New York

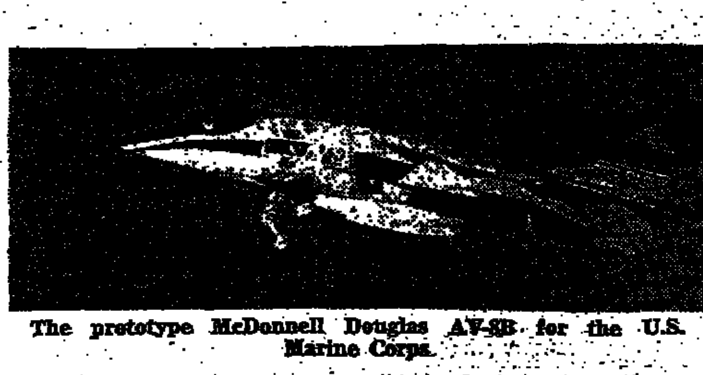
FOREIGN INVESTORS traded a record volume of shares on the U.S. stock markets last year, apparently encouraged by new signs of strength in equities.

According to the annual survey by the Securities Industry Association, the Wall Street trade association, trading by foreigners reached $75bn, an increase of 72 per cent over the previous record of $43.7bn, set in 1979. Net purchases of $5.2bn were also a record.

The British and the Swiss led the increase, with strong gains coming from Middle Eastern and Asian countries. The association found that foreigners sharply increased their holdings of U.S. fixed income securities.

Anti-trust snag hits U.S. Harrier plan

BY IAN HARGREAVES IN ST. LOUIS



The prototype McDonnell Douglas AV-8B for the U.S. Marine Corps.

A POTENTIALLY large-scale joint venture between British Aerospace and McDonnell Douglas of the U.S. has run into trouble over U.S. anti-trust laws.

The two companies have been told by the U.S. Government that their tentative plan to form a partnership to build jump-jets, known as vertical and short take off and landing aircraft (VSTOL) would violate anti-trust statutes if the partners sold aircraft in third markets, which they have to do for the project to make economic sense.

Apart from this difficulty, the negotiations between the two Governments and the two companies are facing a number of other problems, one of which is pressure from some quarters within the Royal Air Force for RAE to go it alone with an independent upgrading of its Harrier VSTOL aircraft (the Mark 5) rather than collaborating with the Americans. The U.S. version is known as the AV-8B.

The subject of the joint venture was raised during Mrs. Thatcher's recent visit to Washington. It has reached the boil because President Reagan has stated his commitment to the VSTOL programme in the U.S., which will eventually result in orders for 336 aircraft worth around $3.3bn at today's prices.

Meanwhile the British Government, considering an upgrading of the RAF Harriers, has turned to the AV-8B, as a likely option because the U.S. derivative has doubled the aircraft's effective payload, as well as making other improvements, such as a light corrosion-resistant graphite wing.

McDonnell Douglas has proposed to BAe that the British company share in 40 per cent of the dollar value of the VSTOL contract for the U.S. Marine Corps, building large sections of the airframe.

In its turn, the U.S. company hopes to get a big order from the RAF, possibly for as many as 60-100 aircraft with BAe acting as assembler and prime contractor, dividing the contract value 50-50.

But numerous difficulties have emerged. The antitrust problem revolves around an apparent U.S. Justice Department view that by collaborating for sales in third markets, BAe and McDonnell would be reducing potential competition.

"BAe wanted a predetermined share, and we were fully willing to give them that, but the U.S. anti-trust law says we can't do it," said Mr. Ed Harper, project manager for the AV-8B in St. Louis, adding that McDonnell Douglas was hoping that this interpretation would change.

But there are also unresolved questions over the financial details of any collaboration in that the U.S. Government wants Britain to put up £35m for the AV-8B programme, and a step towards a long-arranged collaboration which would eventually lead to, Mr. Harper said, joint production of a supersonic version of the AV-8B.

The total U.S. investment in the project is $1bn.

But from the British point of view, there is some dissatisfaction about the fact that McDonnell Douglas will not pay royalty on its Harrier licence for more than the first dozen or so of its AV-8Bs because the bulk of the contract will be completed after the licence expires in 1984.

This means that BAe will get around $10m in licence fees rather than the $50m BAe had hoped for when it signed the deal.

Dutch group in Nigeria port deal

By Charles Batchelor in Amsterdam

HOLLANDSCHE Betongroep (HBG), the Dutch contractor, has won a Fl500m (£98m) contract to carry out harbour works as part of the construction of three ship repair yards in Nigeria.

The Ministry of Transport has awarded the contract for the yards to be built at Burutu, Lagos and Port Harcourt to the Navimor Consortium, comprising HBG with 80 per cent and Navimor foreign trade enterprise of Gdansk, Poland, with 20 per cent.

The project, which involves the design, construction and delivery of technical equipment, will take three years and require 100 to 150 expatriates and 1,500 to 2,000 locally employed workers.

In Burutu the consortium will build a dock capable of receiving vessels of up to 150,000 tonnes, a floating dock for vessels up to 25,000 tonnes, two repair and one maintenance quay with a total length of 470 metres.

In Lagos a dock capable of receiving 25,000 tonne vessels will be built as well as repair quays with a total length of 350 metres. In Port Harcourt the consortium will build a floating dock for vessels up to 15,000 tonnes and repair quays of 325 metres.

Argentina and Peru sign trade accord

BUENOS AIRES — Argentina and Peru have signed an agreement to boost trade between the two countries. It includes the provision of $430m (£193m) in credits by Argentina to Peru for the purchase of Argentine goods.

Under the agreement, signed by Sr. Jose Martinez de Hoz, the Argentine Economy Minister, and Sr. Manuel Ulloa, the Peruvian Prime Minister, Peru will buy $300m worth of Argentine industrial goods, including $100m to re-equip railways. The corresponding credits will be repaid over 12 years.

A further $130m in credits to finance purchase of other Argentine goods has been made available to Peru under the agreement and another $100m can be provided if both countries agree.

Implementation of the agreement and technical banking details of the credits will be worked out by the Argentine and Peruvian central banks.

The agreement also provides for a feasibility study on the building of a railroad between Buenos Aires and the Peruvian Pacific coast, via Bolivia.

Reuter

Zimbabwe foreign exchange problems persist

BY MARK WEBSTER

ZIMBABWE is unlikely to overcome its critical shortage of foreign exchange for the next 10 to 15 years, officials in Salisbury have said.

Mr. David Smith, the former Commerce Minister said protection for local industries against imports would probably last even longer than that, when he met Mr. Walter Goldsmith, director-general of the Institute of Directors in Zimbabwe.

On his return to London, Mr. Goldsmith said companies had little hope of repatriating any of the profits and dividends that had accrued between UDI and independence last year.

"Any company thinking it will be able to repatriate profits made during UDI had better think again," he said. But present profits could be remitted at the rate of 50 per cent after tax, he said.

Because of the severe foreign exchange shortage, import controls were likely to remain in place for many years. Mr. Goldsmith said anyone considering investing in Zimbabwe would have to be aware of those restrictions.

But he said there were still immense opportunities for investment in Zimbabwe's economy, especially in the fields of railways, fertilisers and plastics, all of which the government is anxious to develop.

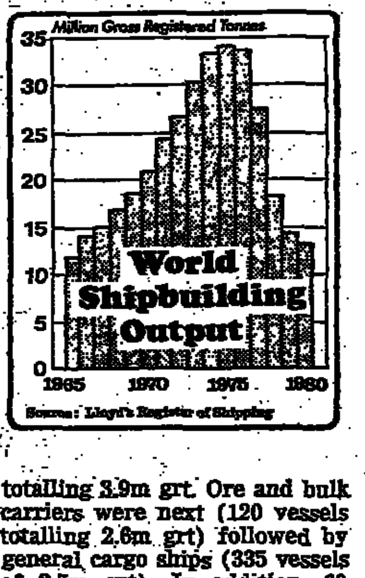
Businessmen had no lack of confidence about the future of Zimbabwe, he said, despite the continuing political uncertainty within the country. However, British business had no special advantage because of past ties, and would have to fight stiff competition from other industrialised countries.

The white exodus, running at about 1,000 people a month, threatened to provoke a skills shortage in Zimbabwe, said Mr. Goldsmith. The government did not want to replace whites who had left with short-term contract workers but would encourage people to come and settle.

Mr. Goldsmith said he had warned the Zimbabwe Government of the danger of making retrospective changes in any legislation governing foreign investment. He said that the ground rules for investment should be spelled out and then left alone.

Shipbuilding output down 8.3%

BY OUR SHIPPING CORRESPONDENT



THE OUTPUT of the world shipbuilding industry fell by 8.3 per cent in 1980 to 13.1m gross registered tonnage—its lowest level since 1965. Output is now running nearly two-thirds below the 1975 peak of 34.2m grt.

The only major country to buck the world shipbuilding recession in 1980 was Japan which increased its output by 30 per cent to 6.1m grt, accounting for 46.5 per cent of world ship completions. Nevertheless, its 1980 output is still 64 per cent below its peak output in 1975 of 17m grt.

Japan's success is bound to increase criticism by European shipbuilders who believe that Japan is failing to honour its commitment to cut its shipbuilding capacity in line with world demand. The subject has been high on the agenda at this week's meeting in Paris of the OECD working party Number 6, which looks after shipbuilding.

The annual summary of merchant ship completions published by Lloyd's Register of Shipping, underlines the severity of the world's worst shipbuilding recession since the 1930s. Virtually all the traditional shipbuilding countries recorded further sharp falls in output.

UK shipyard output fell by 38 per cent to 427,122 grt. French output dropped by 61 per cent to 232,690 grt and Dutch output by 56 per cent to 121,924 grt. Denmark, Sweden, Norway and Germany all reported drops in shipyard output. Even recent newcomers to European shipbuilding such as Poland and Spain reported sharp falls in output. Only Italy boosted its production.

Aside from Japan and Italy the only countries significantly increase output last year were Brazil (plus 10 per cent) and South Korea (plus 5.4 per cent).

After Japan the countries with the biggest shipyard output last year were Brazil (728,842 grt), U.S. (555,262 grt), South Korea (522,245 grt) and the USSR (459,651 grt).

Two-thirds of the tonnage built by South Korea was for export and 55 per cent of the Japanese output was exported.

Oil tankers accounted for the single biggest category of vessels completed—235 ships totalling 3.9m grt. Ore and bulk carriers were next (120 vessels totalling 2.6m grt) followed by general cargo ships (335 vessels of 2.5m grt). In addition, 60 container ships totalling 1.37m grt were completed and 113 liquefied gas carriers totalling 900,000 grt.

Japanese may win Manila order

BY RICHARD COWPER IN MANILA

A JAPANESE company seems set to win the contract soon for the first 300 MW unit of a planned $600m (£269m) coal-fired power plant to be built in Batangas province, 90 kilometres south-east of Manila.

The contract which, according to Mr. Demetrio Pax, vice-president, for planning at the Philippine National Power Corporation (NPC), is soon to be awarded next month, will allow NPC a year in which to exercise the option of ordering a second 300 MW unit from the successful bidder at the same price.

This will give the corporation 12 months in which to evaluate whether there is sufficient local coal to run both units and, if not, whether importing coal from Australia is viable.

The Czechoslovakia engineering company, Escoda, is understood to be out of the running for the contract, leaving the two giant Japanese companies, Mitsui and Marubeni, to battle it out.

Basic equipment and installation for each unit will cost about $250m, with a further $50m for civil works.

The 870,000 tonnes of coal needed to fuel the first unit will come from the island of Semirira, which made its first commercial coal sale last year.

Local group to build Bahrain iron plant

BY MARY FRINGS IN BAHRAIN

THE FIRST contract, worth $50m (£22.4m) to be awarded by the Arab Iron and Steel Company (AISC) has been won by a local joint venture. AISC is to build an iron pelletising plant near Bahrain's Asry shipyard, for completion in 1983.

A letter of intent has been sent to Mr. Ahmed Mansoor Al Aali and the Al Jazeera Contracting Company, to carry out dredging and reclamation of 1.2m sq metres of land, including a causeway link with the Asry approach road.

Kobe Steel and Lurgi/Hitachi are bidding for the process technology and turnkey construction contract, which is due to be awarded next month. A further contract, for construction of a jetty to berth 65,000 dwt bulk carriers, will also be awarded by the end of April.

Discussions have been held with potential iron ore suppliers in Australia, India, Brazil, Peru and Sweden.

Burma to get $22m in Czech credits

By Chit Tun in Rangoon

CZECHOSLOVAKIA has pledged to extend to Burma $22m credit to help it finance purchase of equipment for expansion of a state-owned sugar factory, a brewery and a tannery.

Repayable in ten years and bearing 4 per cent interest, the credit is second to be made under the Czech-Burmese economic co-operation agreement concluded January 1978.

The first credit under the agreement amounting to $140m was extended in 1978 at 2.5 per cent interest and repayable in 16 years.

Denmark also has pledged at DKr 40m (£2.6m) 35-year interest-free loan to Burma to help it buy an offshore inspection vessel for its fisheries development project.

Burma has been striving to set up a modern fishing industry to exploit its inland and offshore fishery resources with help from Britain, Denmark, Norway, Australia and the Asian Development Bank.

Impoverished land of prophets and bandits

BY SARITA KENDALL, RECENTLY IN RECIFE

BRAZILIAN PRESIDENTS are traditionally shocked by the poverty they see in the north-east. They make extravagant promises as they travel through the arid stony interior and sprawling coastal cities swollen by drought refugees. Although resources have been poured into industry, transport, agriculture and housing over the past 25 years, the north-east is falling further behind Brazil's more developed regions, and the average income of its 35m inhabitants is only about a fifth of that for Sao Paulo.

Rather than question the philosophy of the plans and programmes spawned by a multitude of regional development organisations, the governors of the north-east's nine states continue to lobby for more funds. And with the Administration anxiously counting its supporters for next year's state elections, the demands are touching more sensitive ears than usual. But many feel that government institutions—particularly Sudene, the north-east planning agency—have become bogged down in bureaucracy, have failed to attack fundamental problems and have wasted resources on a huge scale.

"The north-east has lost both economic and political power. Investment is concentrated in the south. This region is marginalised and the results of all the programmes are minimal," says Sr. Miguel Arraes, who served as governor of Pernambuco until imprisoned after the 1964 military coup.

Drought is the classic scapegoat for the region's poverty. Thousands have died during the worst of the dry cycles in the arid interior, the Sertao, long the inhospitable home of prophets and bandits. Mass emigration has become a nation-wide social and political problem.

In 1978, the Aerospace Centre near Sao Paulo predicted six years of drought for the north-east, and last year emergency programmes handed over more than $300m in aid, while tankers distributed water all over the interior. Fortunately, the Aerospace Centre is not infallible, and enough rain has fallen this year to encourage farmers to plant cotton, beans and maize again.

An anti-drought institute, formed at the beginning of the century, generated the first in a long line of programmes to deal with the drought scourge. At first, it provided relief for drought victims. Later, funds went into building big dams and roads. The strategy now is to enable farmers to withstand drought, and pilot projects have shown that even grapes and oranges can be grown on small plots with a relatively small investment in simple irrigation. The Sertao is now dotted with thousands of small reservoirs, and many small towns have piped water and electricity. Most agricultural experts now believe drought should anot be treated as a random calamity which strikes the Sertao, rather as a periodic hardship against which countermeasures can, and must, be taken. The main problem is to make these measures accessible to the 12m people affected by droughts. The chief obstacle is the landholding structure.

Large estates predominate, with 1 per cent of property owners holding 40 per cent of the land, and large numbers of low-paid underemployed labourers living on the estates. Only a small proportion of farmers have title deeds to their properties, and can qualify for loans. Most of the Government's "agrarian reform" and other rural programmes have benefited the big landlords, according to the Church's Land Commission in Bahia. Resources destined for improving ownership patterns have been used by estate owners to buy up small properties bordering their own. Large irrigation schemes such as those on the Sao Francisco river have raised land values so high that peasant farmers are forced out. Attempts to bring seeds and fertilisers to small farmers have left them deep in debt and, on the other hand, a battery of incentives is leading to the monopolisation of the best land for cane and coffee plantations and ranching.

Added to this, a run on land west of the Sao Francisco by southern and foreign groups has exacerbated violent land conflicts, with whole peasant communities being terrorised into abandoning their plots by hired gunmen.

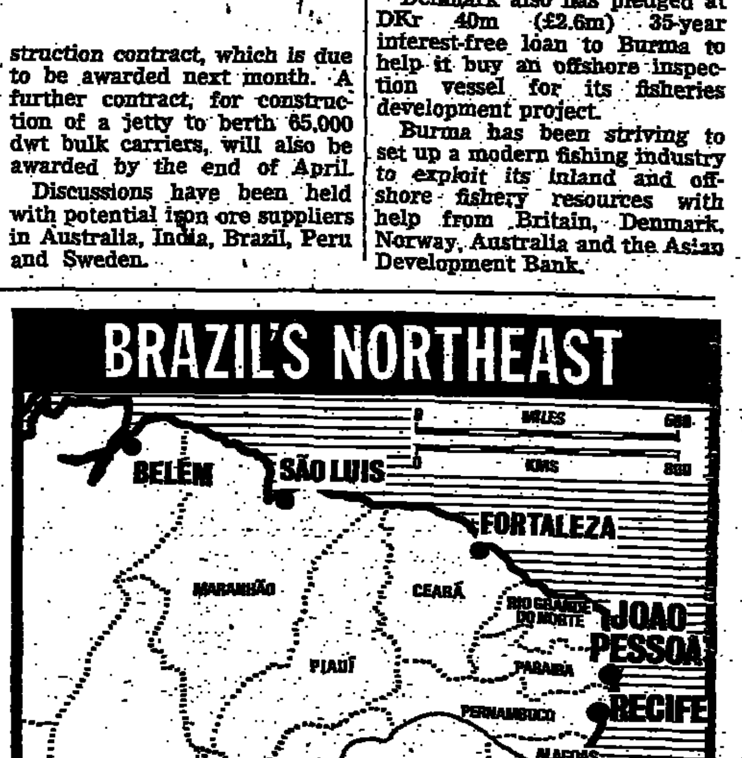
Northeasteners are resentful of their poor relation image, for the region not only produces over 200,000 barrels a day of oil (equivalent to the output of Ecuador, a member of the Organisation of Petroleum Exporting countries) but it has had a strong foreign trade surplus for recent years, in contrast with Brazil's overall deficit. It also gets back less in taxes than it contributes to the federal government.

The most dynamic sector of the north-eastern economy during the past 20 years has been manufacturing. The prominent role given to industry in Sudene's development plans has resulted in an annual average growth over 8 per cent. Up to 1979, some 1,300 industrial projects had been approved, but an investment of around $14bn had generated only 310,000 new jobs—roughly equal to the number of people entering the job market each year.

The outward signs of modernisation in the urban north-east are imposing: skyscrapers line Recife's beaches, acres of cheap housing estates spread out of Salvador, glossy factories adorn the outskirts of Joao Pessoa.

But this construction explosion has done little to reduce an unemployment and under-employment rate over 40 per cent. It has not stemmed the flow of 150,000 emigrants a year from the Sertao. Nor has it stopped another 150,000 a year leaving north-eastern cities to fill the unskilled labour pools of the centre and the south.

BRAZIL'S NORTHEAST



RAIN FALLS TOO LATE FOR CROPS

HEAVY RAINS have broken a three-month drought in north-east Brazil, but too late to prevent the failure of crops our Foreign Staff writes.

Sr. Amaury Stabile, Brazilian Minister of Agriculture, estimated this week that drought in the north-east and other regions had caused the loss of 1bn tonnes of grain.

Lack of rainfall has driven more than a million people off the land in the north-east, leading to unrest in 30 towns in the interior of the region. Shops and government grain stores were looted, and in one case police fire[d] warning shots to clear a crowd.

In other towns, reserve food supplies were handed out. Officials said the worst-affected state was Ceara, where 19 towns were swamped.

Coastal cities like Fortaleza and Recife have been invaded by people from the interior, but the main shift in population has been to the more prosperous south, where Minas Gerais state and the cities of Sao Paulo and Brasilia have also had large influxes.

The movement c[...] expected to cont[...] July.

Sr. Mario Andreazza, the Minister of the Interior, said Cr 980m (£6m) had been disbursed in emergency aid, consisting of rations and seeds for farmers. Today another Cr 1.5bn is expected to be approved for animal fodder.

The Government has provided emergency aid to the region to counter the effects of drought in the past two years, but official calculations suggest that investments of $8bn to $10bn would be [...]anent

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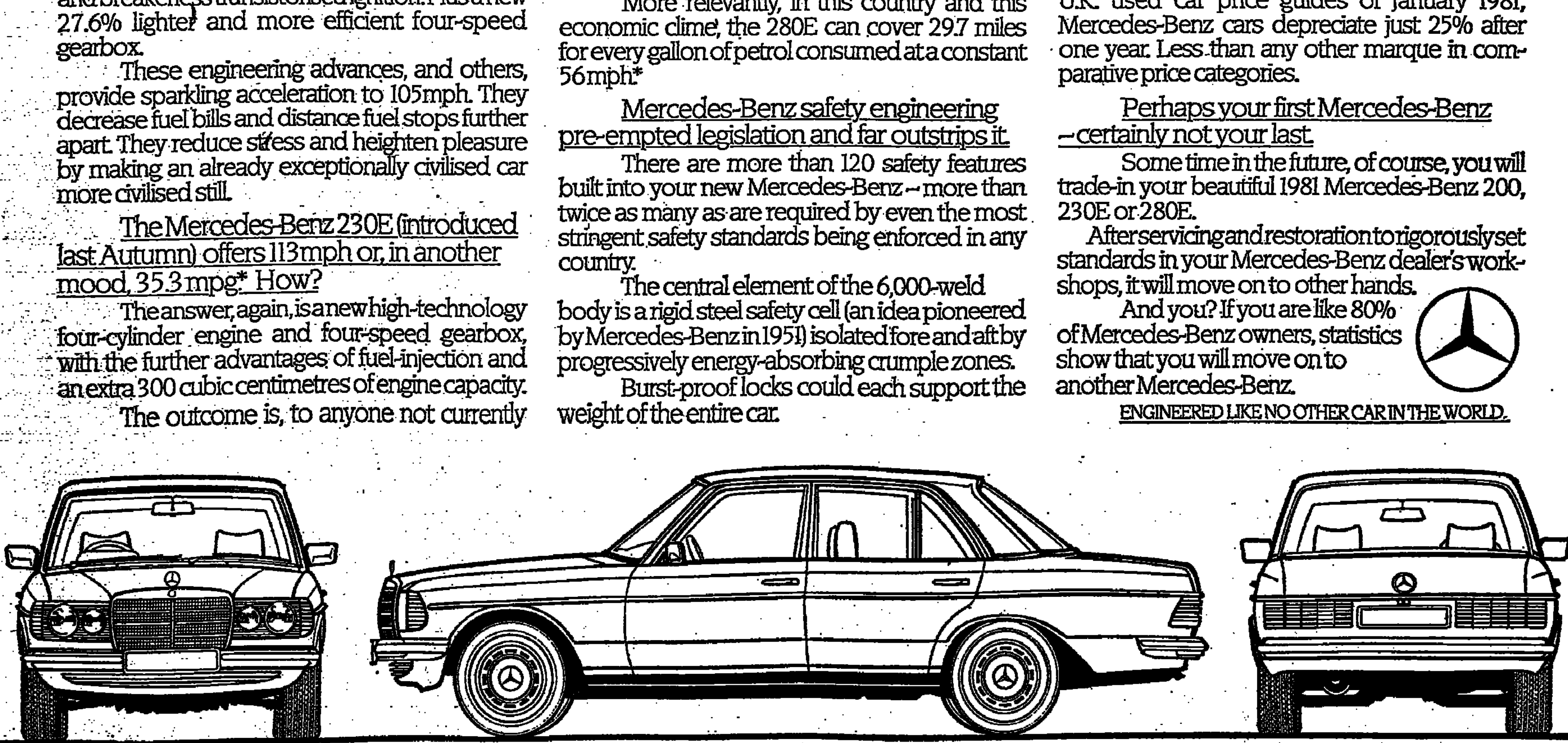

Agreement reached on viewdata standard

By Guy de Jonquieres

BRITAIN AND France have reached tentative agreement on what they hope will become a common European standard for viewdata systems. These systems transmit computerised information services through modified television sets.

The understanding, reached in talks lasting almost a year, *could end the increasingly* bitter hostilities arising from the two countries' efforts to promote their rival viewdata systems on the world market.

But if the agreement is to hold it must win the backing of West Germany, which *plans to start a national* public viewdata service soon. Details of the Anglo-French plan are being put to West German officials at a meeting in London this week.

The Germans recently pressed their own alternative proposal for standardisation. While it is believed to be acceptable to Britain, France is thought to be less enthusiastic about it.

The aim of the discussions is to achieve technical compatability between the different viewdata systems, in use or planned in Europe, *by laying down a common* design for the microchips fitted to viewdata receivers.

But even if technical hurdles can be overcome, standardisation will also have to make economic sense. This is particularly important to Britain, whose Prestel service is still the only public viewdata system *operating* in Europe.

Mr. Richard Hooper, director of *Prestel*, said yesterday that standardisation must not result in radical changes to Prestel which would jeopardise industry's existing investment in the service or increase the price of receivers.

The talks were initiated by France, which plans to start producing soon microchips *for electronic telephone* directory terminals using viewdata technology. France sees standardisation as a way of increasing exports to other *European markets.*

By agreeing on compatible technology, Britain and France also hope to improve their chances of selling their *viewdata technology* in the U.S., where they face strong competition from Canada's Telidon system.

Recession forecasts are more pessimistic

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE RECESSION should bottom out this year but the recovery in 1982 is likely to be modest and unemployment will *probably continue* to rise, according to a survey of economic forecasts published since the *Budget.*

The accompanying table *shows eight forecasts published* in the last week. The list is not intended to be comprehensive though it covers neo-Keynesian bodies such as the Economist Intelligence Unit and monetarist bodies such as the Liverpool Group headed by *Professor Patrick Minford. The* former are more pessimistic.

These projections are compared with a sample of 17 forecasts published on Monday, February 9.

The two samples are not strictly comparable, but it is clear that the forecasters have become slightly more pessimistic about the outlook this year. They generally believe that the turning point will come in the summer or early autumn rather than now.

In early February the average projected decline in total output for 1981 was 1.6 per cent. The latest estimate is *a drop of 1.73 per cent. Some* forecasters, including the Treasury and stockbrokers Phillips and Drew have, however, revised their forecasts downwards by about ½ a percentage point.

The volume of consumer spending is expected to fall 0.6 per cent compared with a previous *projection* of a fall of 0.3 per cent.

These revisions are small and reflect not only the impact of the tax increases in the Budget but also the general deterioration in the economic outlook in the last couple of months. Forecasters such as the London Business School and the National Institute were already becoming more pessimistic before the Budget.

COMPARISON OF FORECASTS

Percentage change year-on-year in constant 1975 prices unless stated		Average forecast in early Feb.	Treasury*	Phillips and Drew	Economic Models	Hoare Govett	Wood Mackenzie	Liverpool Group†	Staniland Hall	Economist Intelligence Unit
Gross Domestic Product	1981	−1.6	−2.0	−3.5	−1.9	+0.8	−2.5	−0.2	−2.0	−2.5
	1982	+1.7	+1.1	+1.5	+2.0	+2.1	+3.2	+2.9	+2.2	−0.8
Consumer Spending	1981	−0.3	−0.8	−1.2	−2.0	+1.1	−0.2	+0.1	−1	−0.9
	1982	+1.9	+1.1	+2.0	+0.7	+1.8	+1.5	+1.1	+2	+0.5
Exports	1981	−3.0	−5.3	−2.4	−3.8	−3.1	−3.5	—	—	−6.2
	1982	+2.4	−1.6	+2.9	+1.9	+4.5	+3.4	—	—	−1.7
Imports	1981	−0.8	−2.5	+2.3	−6.8	−2.7	−2.4	—	—	−2.6
	1982	+4.9	+8.0	+5.4	+2.7	+7.1	+10.1	—	—	+3.6
Retail Price Inflation 12 month rate of increase	1981, 4th	10.2	10.0	10.5	11.7	8.9	9.9	9.5	10.0	12.0
	1982, 2nd	—	8.0	9.4	—	—	9.3	—	—	—
	1982, 4th	9.2	—	10.5	9.5	8.7	—	5.4	9.0	10.0
Unemployment (UK adults, 4th qtr., m)	1981	2.6	—	2.9	2.6	2.75	—	2.5	2.8	2.6
	1982	2.75	—	3.1	2.7	—	—	2.6	3.0	2.9
Current Account (£bn)	1981	+1.4	+3.0	+3.0	+3.8	+4.9	+2.0	+2.0	—	+3.2
	1982	−0.6	0	−0.7	+3.2	+1.9	+0.3	+1.5	—	+1.3

* 1982 forecasts for Treasury and Wood Mackenzie are for first half compared with first half of 1981.
† Liverpool Group forecasts for inflation and unemployment are average not fourth quarter levels.

Collapse of United Industrial 'was caused by bad management'

BY ANDREW FISHER

THE COLLAPSE of toiletry *wholesaler United Industrial* Company in 1976 was brought about by bad management, a costly French venture and an unexplained lack of gross profit *for 17½ months*, a Department of Trade report concluded.

Once the previous management left in 1974, having been found diverting some of UIC's *profits, the quality of management* and control "unhappily fell far short of even acceptable standards."

The report, written by Mr. *Gerald Coles, QC, and Mr. Peter* Dobson, the inspectors appointed by the department, said: "The overall picture of *the continuing business* is one of increasing failure, with falling turnover and falling profits, accelerating into serious losses."

It added that there was no doubt that Eridor Trading, effectively managed by Mr. Eli Harris, "had been siphoning off some of the group's profits and that those directors connected with Eridor had failed to declare their interest to the remaining directors of UIC."

Mr. Eli Harris and his brother *Gabriel accordingly resigned as UIC directors and Eridor paid* the company £60,000. But the two men then set up in successful competition with UIC, which was based in Leeds.

"They left behind no regular or patterned structure of management," the report said. Mr. Dennis Hillman-Eady, who lived *in Monaco* and owned 15 per cent of UIC, became its chairman early in 1974. He and his family later bought more shares.

It was his idea to go into France, a *decision that* cost UIC a total of £303,000 for no return. "Whether it was a brilliant or foolhardy idea is not easy to judge, but for various *reasons it was doomed to failure* from the start."

The fact that he lived and had most interest in Monaco, the inspectors said, made the management tasks more difficult. "In effect, he attempted to manage the group by telephone."

Despite the appointment of a deputy, "Mr. Hillman-Eady, a forceful personality, retained the power and appears to have used it not always to the best *advantage of the group.*"

One way in which UIC tried to build up turnover was by going into retailing, but the report said this may have caused it to lose some of its wholesale business.

The decision to open shops in France, apparently supported by the rest of the board, was *mainly* executed by Mr. *Hillman-Eady* "who lacked the necessary expertise and knowledge of foreign law and *commercial practice to which he* pretended."

He also, said the inspectors, "enjoyed extensive expenses and commissions for which in *the event he gave no value.*" But they said they were satisfied that he expected the venture to succeed.

They had found no evidence to justify them saying that any of his activities in relation to UIC were fraudulent, the inspectors said.

Though profitable up to the early 1970s, UIC lost some £76,000 after extraordinary items in the year to June 30, 1975. In the *following 17½ months losses* were estimated by the inspectors at nearly £500,000.

After June 1975, UIC failed to earn a gross profit margin, they added. Since there was no evidence that products had been sold for no more than they cost, the absence of a margin must be explained "either by misappropriation *or abnormal wastage* or by an overstatement of stock."

Editors attack contempt proposal

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE GOVERNMENT'S proposal to extend the contempt of court law to cover minor courts and tribunals could prove a very serious threat to freedom of information and discussion, claims the Guild of British Newspaper Editors.

The Government has said that it is not practicable to list the courts and tribunals it has in mind, partly because the Contempt of Court Bill now before Parliament may apply to only some of their proceedings.

But, says the guild, "if the Government cannot say what proceedings are covered, how are editors expected to divine what they are?"

The clause should either be deleted, or the Bill should include a list of the courts and tribunals, the guild says.

It also expresses concern at the wide scope of a clause giving the courts power to order the withholding of names or other matters from the public.

The clause is unlimited and could lead to an unnecessary extension of secrecy. It could be used merely to protect prominent local personalities against embarrassment.

The guild also takes issue with the Bill's proposal to give judges the power to order postponement of publication of reports of court proceedings, to avoid the risk of prejudice in these or other proceedings.

A judge should have to give his reasons for making such an order and there should be a procedure by which a newspaper could contest it if it appeared unreasonable, says the guild.

Costs of education cuts criticised

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

SCIENCE AND modern language studies in schools have been affected badly by local authorities' cuts in support staff, such as laboratory technicians and language assistants, says a report published today by the National Union of Teachers.

The union also accuses the authorities of planning to leave thousands of teachers' jobs vacant from the end of the summer. In most cases, it says, staffing reductions "are well above what could be justified by the fall in pupil numbers."

In Solihull, where the local authority intends to cut 71 *teaching posts in addition to the* 55 being eliminated because of falling pupil rolls, union members will refuse out-of-hours duties including supervision of meals.

As reduced staffing begins to affect individual schools in the area the union will ballot members in those schools on the *question of their taking further* action, such as refusing to cover for teachers who have left and are not being replaced.

The union says that in several local authority areas the cuts *are restricting the number of* GCE Ordinary-level and other national examinations which pupils are allowed to enter.

"Everything the Government *and indivdual local education* authorities is doing indicates ever-worsening provision, with fewer and fewer opportunities for the nation's children," said Mr. Fred Jarvis, NUT general secretary.

BR plan to transport water for area heating

By Maurice Samuelson

A PLAN to use the railways for taking waste hot water from power stations to district heating networks of the kind being considered by the Government has been put forward by two British Rail researchers.

Dr. John Bird and Mr. Martin Jones, of BR's technical centre at Derby, claim that it could be cheaper to transfer the reject hot water by insulated rail tankers than by a special underground mains system whose construction would require large capital investment.

Writing in the forthcoming issue of the magazine "Energy Manager," they claim that rail haulage costs are generally less sensitive to distance than the use of a pipeline and that a rail system could economically transmit heat to a district heating system up to 50 km from the power station.

The report follows the Government's *announcement that* nine cities are to be considered as contenders for Britain's first big scheme *to* use combined heat and power for district heating.

Dr. Bird, who has been working on the scheme for about a year, said yesterday that the main point which remained to *be resolved was the speed* at which the hot water could be transferred to and from the rail tankers.

Heat retention in transit, he said, *presented no technical* difficulty.

The heat would be transported in wagons like the big bogey tankers currently used for carrying oil by rail. They would contain either pressurised hot water at 150 deg C or chemicals treated by reject heat at the power *station and then tapped for* their heat at the point of arrival.

The "Energy Manager" study says the system would be particularly valuable in the early stages of district heating development since, unlike large pipelines, rail tankers can be built progressively as demand grows.

It gives no unit costs but says this could be based on published BR freight charges per bulk wagon and an estimation of the energy carried per wagon.

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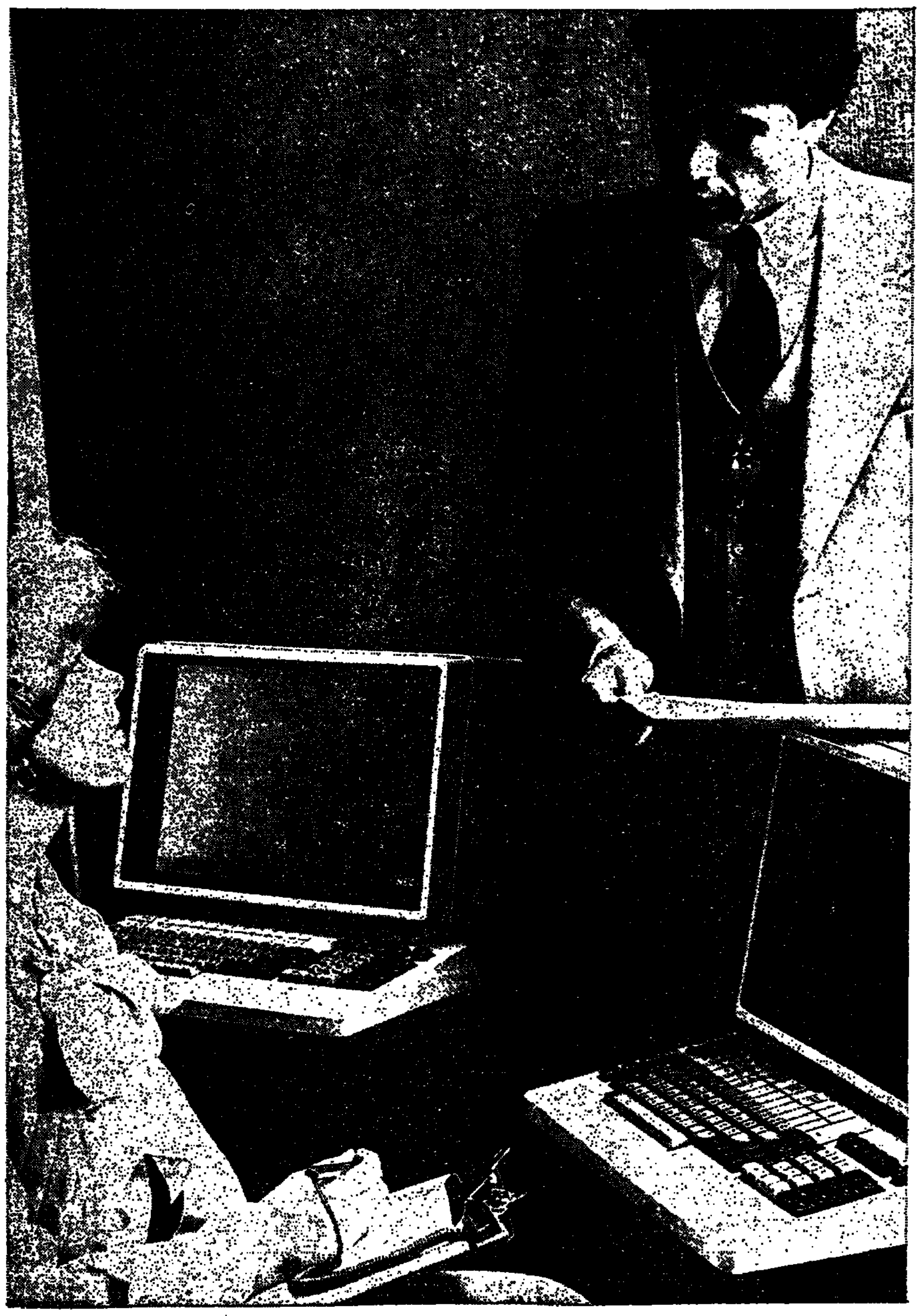

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Vanbrugh Life launches inflation-proofed pension scheme for self-employed

BY ERIC SHORT

VANBRUGH LIFE Assurance, the Prudential Corporation subsidiary, is to offer the first pension scheme for the self-employed which will be largely inflation-proofed.

From next month, investors holding the company's personal pension policies can, on retirement, opt for a pension whose value is directly linked to the company's index-linked Gilt Fund. This fund, launched last week, will invest in the new index-linked gilt stock and any other similar gilts that may be issued.

The value of the units of this fund will depend on the market assessment of the stocks as well as on the trend of the Retail Price Index. It is only available for pension fund investment.

The company points out that this is not a fully inflation-proofed pension on a par with public service pensions. Although the unit price should rise in line with the RPI, there will be fluctuations as market sentiment changes. It is possible for the value of the units to fall if the market assessment changes and the price of index-linked gilt stock falls.

Vanbrugh also cautions clients that the initial yield on the new *gilt stock is likely to be low* given the present strong demand for the issue. Estimates of the tender price for the stock are in the 110-115 range.

This means the initial pension value is lower compared with a normal pension fixed in money terms, whose amount is based on the present high gilt yields.

For a man retiring at 65, each £10,000 cash in his fund would buy a level annual pension of £1,540, with payments guaranteed for at least five years. The initial value of the indexed-pension guaranteed for five years would be approximately £600. But the former does not increase in value, while the latter rises roughly in line with inflation.

Vanbrugh is also making this *indexed pension available* to self-employed persons holding pension contracts with other life companies. At retirement, these investors can use the cash to buy a pension with another life company, *if so desired*, under the "open-market" option.

Target Life Assurance, a member of the RIT Group, has also launched and index-linked gilt fund, pension fund investment, the second life company to do so. But as yet, it is not linking pensions to this fund.

Mr. George Cwilt, general manager of Standard Life Assurance, the largest life company in Scotland, said yesterday it would only go ahead with linked gilt funds if further gilt issues were made.

Standard Life snubs Ombudsman Bureau

By Eric Short

STANDARD Life Assurance, Scotland's largest life company, is refusing to take part in the proposed Insurance Ombudsman Bureau (IOB) when it starts operations later this month.

Mr. George Gwilt, general manager of Standard, said in London yesterday his company would continue to handle complaints from policyholders direct or through the life company associations.

The establishment of the IOB is a new concept in *consumer protection*. It has been devised by three major insurance groups, General Accident, Guardian Royal Exchange and Royal Insurance to provide a service to all consumers holding personal insurances with the member companies.

The bureau will look after the interests of policyholders whose complaints remain unresolved after going through the normal channels.

Final details of the scheme have still to be resolved, but are expected later this week. The name of the ombudsman has not yet been announced but he or she will be a lawyer. Other insurance companies are likely to join the scheme when it is operating, perhaps as early as the end of the month.

To ensure the independence of the ombudsman, he or she will be given general direction by a council under the chairmanship of Mrs. Joan Macintosh, vice-chairman of the National Consumer Council.

It is expected that the bureau will be more involved with general insurance queries — motor, household and travel—rather than life complaints.

Income tax index set for big rise

By David Marsh

THE GOVERNMENT will suffer a sharp reverse in its anti-inflationary strategy this spring when its special indicator launched to measure total *household costs starts to forge* well ahead of the retail price index.

The *tax and price index* was introduced in August 1979 soon after the income tax cuts in the Conservatives' first Budget. The aim was to show the impact of changes in direct taxes on the cost of living.

Inflation rate

Whitehall officials estimate that by April the annual rise in the index will be running at 3 to 4 per cent more than the *inflation rate measured by the* retail price index, which is currently about 12 per cent.

This will reflect the Budget decision not to increase personal tax allowances in line with inflation, as well as the rise in national insurance contributions due in April.

The annual rise in the index remained below the rate of *retail price inflation until the* RPI started to fall sharply last summer. After the effective rise in the tax burden last year, the tax index is now rising about 1 percentage point faster than the retail price indicator.

The faster rise in the tax index is a blow to the Government because the aim of the new index was to persuade wage earners to moderate pay settlements by giving a broader picture of the inflation rate.

Wider gap

The widening of the gap will also emphasise how the rising tax burden is undermining one of the Government's main manifesto policies.

When the tax index was launched Mr. Nigel Lawson, the Financial Secretary to the Treasury, stressed that the index measured the increase in gross income needed to main*tain take home pay* in real terms.

"If you want a general guide to changes in total costs facing taxpayers, look at the TPI, not the RPI," he urged. "It is a much truer guide."

Peter Riddell writes: The Government should save a substantial part of the rising revenue from North Sea oil development, merchant banker Morgan Grenfell and Company says in its latest economic review.

The review, edited by Mr. John Forsyth, says the way to achieve increased saving is either through an increase in public sector investment in the domestic and international economy or through a reduction in public sector borrowing.

This would allow the capital market to allocate funds between the public and private sectors.

Signs of more motor industry redundancies

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

THE FIRST signs of another jobs shake-out in Britain's troubled vehicle industry emerged yesterday with the announcement of more than 1,000 redundancies.

BL is seeking up to 900 volunteers for redundancy at its Longbridge plant, Birming*ham, because of cuts in produc*tion of six models — the Mini, Allegro, Princess, Maxi, Ital, and Sherpa van. Longbridge assembles only the Mini and Allegro, but provides components for the other models.

BL blamed reduced production on the general decline in the UK car market and the impact of the successful Metro on sales of the traditional Mini model.

The company had hoped to put the 900 on temporary short-time working but that option had been rejected by the Longbridge unions, according to BL.

Rubery Owen has called for a cut of up to 400 jobs — more than 25 per cent of the workforce—at its Darlaston plant in the West Midlands. About 70 per cent of the factory's output of wheels, petrol tanks and axles goes to BL.

The latest redundancies at Rubery Owen are in addition to 800 jobs shed by the group since last August. Rubery Owen is likely to be only the first of a number of component companies to announce redundancies.

The Society of Motor Manufacturers and Traders said last night that UK vehicle output was likely to drop further, *because of the Budget. Car* production fell last year to 924,000—the lowest level for nearly 20 years.

Many component companies, although expecting a further decline this year, have held labour in the hope of an upturn, which now seems increasingly unlikely. The SMMT, which had projected UK car sales this year of 1.41m compared with the 1.51m of 1980 is again revising its forecast downwards.

Commercial vehicle and tractor sales are also seriously depressed.

Among the major components suppliers, Lucas Electrical is expected to announce details by early next month of plans to shed around 2,00[illegible]bs, mostly in the Midlands.

Lucas Industries, currently *suffering from extensive short*-time working, has already announced 5,500 redundancies since last summer and lost another 2,000 jobs through natural wastage and early retirement.

● *DGR Cups, the food con*tainer firm, is to close its plastic manufacture operation at Fazakerley, Liverpool, with the loss of 135 jobs, nearly half the workforce on the site. The parent company, *print special*ists Dickinson Robinson, said the shutdown was vital if the remainder of the plant was to *be kept going.*

● *Dare Inglis, the furniture* manufacturer in the Rhondda, South Wales, will close with the loss of 115 jobs.

Sharp increase in Midlands job losses forecast

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

FURTHER substantial increases in unemployment in the Midlands are forecast by the Manpower Services Commission in a report published today. A leading Midlands industrialist also warned yesterday that 100,000 jobs are likely to be lost in the area soon.

An assessment by the commission of the labour market in the two years starting next month, suggests groups particularly vulnerable to unemployment are likely to be the young, the unskilled, the disabled and ethnic minorities.

The report will add support to the case of local authorities in the West Midlands pressing for special Government assistance, after the near doubling to record levels of the number of jobless in less than 12 months.

The report says the rate of job loss throughout the Midlands is unprecedented in the post-War period. "The main indicators on redundancies, engagements and vacancies suggest a further worsening of the situation in the months ahead."

The recession could bottom out in *the later part of this year*, resulting in a period of stability, but the commission warns it would be "at low levels of employment and high levels of unemployment."

Not until 1982-83 would there be any significant increase in production. Any growth would not involve commensurate increases in employment.

The commission says the hope for increases in job opportunities rested largely with new products and markets. Manufacturing is likely to continue to be affected disproportionately by the recession.

Mr. Jonathan Sleigh, the commission's director in the Midlands, warned last night that the report was a planning document and had to be interpreted with care. *It made "gloomy read*ing" but only if present trends continued unchecked.

The report suggests net increases *in the labour force* will be minimal—a dramatic contrast with Department of Employment forecasts in 1978 of an annual 20,000 increase in the West Midlands and 19,000 in the East Midlands.

School-leavers are highlighted as being a particular area for concern, with even the better-qualified experiencing increasing problems.

The report finds the areas where unemployment was already relatively high suffered most from the recession. Centres such as Coventry, *Wolverhampton*, Birmingham, Walsal, Dudley, Telford and Corby are likely to be hardest hit in future.

On a brighter note, the report finds employment in private sector services is likely to remain relatively buoyant. Opportunities should remain relatively plentiful in insurance, banking, finance, and possibly the distributive trades.

Mr. Reg Parkes, vice-chairman of the regional Confederation of British Industry and chairman of the Brockhouse Group, said yesterday that the Government had distorted competition and weakened basic industries so much that many would not survive, writes Lorne Barling.

He estimated that after the recession the engineering industry in the area would recover to only 75 to 80 per cent of its 1979 level.

"The Midlands has lost great chunks of industry, most of which are lost for ever. We have over 270,000 unemployed. Another 235,000 are on short-*time working.*

Mr. Parkes told a Midland Scrap Association luncheon in Birmingham that in relative terms the Midlands had suffered more than any other area of the UK.

"Successive governments have directed industry out of the Midlands to designated depressed areas, assisted areas and the like so that although we have bounced back after each recession, it has always been at a lower level.

Air fares rise may be delayed

By Michael Donne, Aerospace Correspondent

FARE RISES of up to 15 per cent on internal air routes, due to take effect on April 1, may be delayed until early May.

The Civil Aviation Authority, has postponed public hearings into the applications, until early April because the airlines have been late in *submitting written evidence* in support of their bids.

The hearings are planned for the week beginning April 6. This means a decision is unlikely to emerge until later in April, so that the rises may not be introduced before May 1.

The plan to raise the fares has been severely criticised by *many* consumer and other organisations, in particular the Air Transport Users' Committee, the consumers' "watchdog" on air transport affairs.

Details of the committee's objections have not yet been published. But it is believed to feel that the airlines jump in too quickly with fares increases, and that the rises sought are not justified by the economic situation.

However, the airlines feel many consumer bodies are out of touch with the realities in air transport, and especially with the problems of soaring costs.

They believe that unless the rises are granted, there will be heavy losses on UK domestic air routes later this year.

● The Ministry of Defence has awarded an £8m contract to the Wells, Somerset, division of EMI Electronics to design and manufacture a mission support system for the RAF's Nimrod maritime patrol aircraft.

This will enable rapid post-flight analysis of the substan*tial volume of data* recorded on Nimrod flights. This in turn will help to plan future missions and brief crews, as well as help the RAF to make the best use of intelligence data recorded by the aircraft.

Part of the mission support system work has been subcontracted by EMI Electronics to Computing Devices Company of Canada.

RCA to end production in Britain

RCA, THE U.S. communications conglommerate, is to stop manufacturing in the UK. It will close its factory in Washington, Tyne and Wear, in June with a loss of 270 jobs, writes Jason Crisp.

The factory, which was *opened in May, 1970*, had a capacity to press up to 11m records a year although it never actually produced more than 6m a year. RCA claims it lost £2m last year and £1.5m in 1979.

The record industry has been in a deep slump since 1979 and there have been widespread redundancies. Last year, RCA had talks with the Pye records division of Lord Grade's Associated Communications Corporation about the possibility of a joint venture. Talks broke down in August.

RCA said last night that it planned to sub-contract its record pressing to Thorn-EMI, one of the two largest record pressers in the UK. Thorn-EMI's record plant in West London, employing about 2,000 people, is currently operating at 70 per cent of capacity. Last year it made 300 people redundant.

RCA will continue to sell records in the UK and is retaining its head office and its distribution facilities.

Pottery company to make 43 redundant

DUDSON GROUP, a Stoke-on-Trent pottery company is to *make 43* workers redundant because of falling orders.

The group, which manufactures hotel ware, announced the redundancies at its Hanley factory where production first started in 1800. Two other factories in the group, Duraline Hotelware, at Tunstall, and J. E. Heath, of Burslem, will be unaffected by the jobs loss.

Pharmaceutical Society to set up London college

BY SUE CAMERON, CHEMICALS CORRESPONDENT

THE Pharmaceutical Society of Great Britain is to set up a college of pharmacy practice in London.

The society said yesterday that the college would probably be similar to the Royal College of General Practitioners and could give the profession a "further gloss."

Fellows of the society and members registered for at least 10 years are being asked to support the college by applying for founder membership and by *covenanting* at least £100 a year for four years.

The college will initially be based at the society's headquarters in Lambeth, London. Postgraduate students are expected to research such topics as the place of pharmacy in health care, standards for vocational tuition and pharmacy practice.

The society said it was too early to say how much the college would cost or how many students it would have.

Tokaido prints album sold for £8,000

AN ALBUM containing 52 prints of the Upright Tokaido by *Hiroshige sold for £8,000*, plus the 11.5 per cent buyer's premium and VAT, at a Christie's sale of Japanese prints yesterday. Screens were much in demand, Ciancimino, the London dealer, paying £4,200 for a pair of 19th century six-leaf screens while an 18th century six-leaf screen realised £4,000.

In a sale of ancient coins, Cistercii were much in demand, one of Hadrian selling for £1,300.

Stornoway NATO order open to foreign tenders

THE CONTRACT for the proposed £40m upgrading of the NATO *base at Stornoway air*port would last 2½ years and firms in all NATO countries would be entitled to apply for tenders, a planing inquiry was told yesterday.

Mr. Keith Simpson of the Directorate of Works (Air) said that similar contracts in the past year revealed 12 interested foreign companies but only six had submitted tenders. None of them had been successful.

He was speaking on the second day of the public inquiry at Stornoway ordered by the Secretary of State for Scot*land after the Western Isles* Council refused to grant planning clearance to the Ministry *of Defence.*

If a foreign company won the contract it would be subject to the same contract conditions as a British company, he said.

Mr. Simpson said the labour force for the contract would be 300, rising to 450 during the second year. About 250 could be accommodated in NATO huts at the airport, about 100 would require lodgings

Report says farms source of plastics

UP TO 85,000 tonnes of plastic used on farms and nurseries around Britain each year could be reclaimed and reprocessed, says a report by the British Plastics Federation.

Local authorities and farm merchants could co-operate in collection schemes to recover sacks, pots, trays, silage covers, windbreaks and twine. The report said methods for converting the reclaimed materials for processing are available but largely unused.

Chester to head Lloyd's inquiry

Mr. A. Henry Chester is heading a Lloyd's inquiry into Oakeley Vaughan, the Lloyd's insurance broker with underwriting interests.

Lloyd's is studying a complaint by a member of the market about an aviation contract arranged by Oakeley Vaughan with syndicate 862, under the management of Oakeley Vaughan (Underwriting).

Chancellor blamed for 'wrong' budget

THE CHANCELLOR has diagnosed the causes of the "British Disease" with clinical accuracy, but it is time he stopped giving industry depressive drugs and prescribed stimulants instead, Mr. David Nickson, the CBI's Scottish chairman said yesterday.

He told the Rotary Club of Glasgow, Sir Geoffrey's Howe's Budget was "a wrong response to the economic and social needs of the nation. This budget has been called 'courageous', I would call it a brushoff for business."

Tighter control of waste disposal

A MUCH TIGHTER system of recording the disposal of 30 different types of dangerous waste materials came into force yesterday after seven years of talks between the Government, the county councils and industry.

Labour Party leaders caught in bubbling North Sea quagmire

MR TED ROWLANDS, the Labour MP for Merthyr Tydfil, an *Opposition front*bench spokesman on energy, yesterday stepped into a political quagmire by calling for the removal of South African interests from a *North Sea licence awarded by* his colleague Mr. Anthony Wedgwood Benn when Mr. Benn was Energy Secretary.

This follows Mr. Rowlands' support on Monday for the Anti-Apartheid Movement. The movement criticised the Government for awarding two exploration licences to companies having South African interests.

The movement attacked past and present Conservative Governments for allowing South Africans a stake in the North Sea.

But it emerged yesterday that Charter Consolidated, the British associate of the South African mining group Anglo American, had been given an 8 per cent stake in two fifth-round blocks awarded in 1976-77 by Mr. Benn.

The operator of the blocks 14/16 and 14/17, north-east *of Aberdeen*) is the State-owned British National Oil Corporation.

Mr. Rowlands said he was unaware of Charter Consolidated's involvement in these blocks when he made the statement in which he said a Labour Government would revoke concessions involving South African interests.

"I stand by my statement," he said yesterday. "I believe that we should prevent a gradual South African involvement in our North Sea oil-fields. The next Labour Government will stop that and remove them.

"We should be especially vigilant in the light of our experience and knowledge, over the past four years, of the sly and back-door methods used by South African interests."

The Anti-Apartheid Movement complained in particular about *two new* seventh-round licences. One involved Charter Consolidated in a Moray Firth concession awarded to a Burmah Oil consortium. The other included Unilon Oil Exploration, an associate of the South African Federale Mynbou Group, in a block to be operated by Gulf Oil.

The Department of Energy said yesterday that successive Governments had operated a system of licensing which was non-discriminatory in terms of nationality. The award of licences conferred no special privileges and all licensees were subject to the same policies regarding the disposal of oil.

These policies restricted the export of crude oil to members of the International Energy Agency and the European Commission, as well as to certain other countries which had an established pattern of oil trade with the UK.

"There is no existing trade pattern with South Africa for UK *Continental Shelf* crude and they are therefore excluded," the Department said.

Anti-Apartheid said it was concerned that North Sea oil could find its way to South Africa at a time when many oil-producing States, notably members of the Organisation of Petroleum Exporting Countries, had imposed a voluntary ban on exports.

However, there is no United Nations embargo on oil sales to South Africa.

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Ray Dafter looks at the post-Budget oil market as an imbroglio develops over S. Africa

Four-star petrol may cost £1.55 a gallon retail

SOME LEADING oil companies, facing losses on refining and marketing operations, are waiting for a chance to raise petrol prices again.

The industry is understood to *be anxious to* add between 4p and 5p a gallon to the retail price of four-star petrol. Following the 20p a gallon Budget increase this would bring the pump price to more than £1.55 a gallon.

But UK refiners are trapped in a price war which reflects the general surplus of petrol in the international market. Motorists in the Bradford area, for example, are able to buy four-star petrol for about £1.45 a gallon, thanks to forecourt competition.

Companies report that re*fineries are being operated at* about two-thirds of their capacity because of the sharp drop in demand for oil products over the past year.

Department of Energy estimates show that oil consumption fell by 13 per cent last year, compared with 1979. There are no signs of improvement. Industry forecasts suggest that the oil-products market will fall to about 76m-77m tonnes this year, compared with 79m-80m in 1980.

With demand for heavy fuel oil and heating oils continuing to be depressed, oil-refiners were hoping that demand for petrol and aviation fuel would be maintained. However, returns for January and February show *a drop in aviation fuel* demand this year.

Further, there are fears that Budget measures will depress petrol demand by discouraging some discretionary pleasure travel as well as some business trips.

Meanwhile, oil companies with North Sea operations are beginning to prepare taxation suggestions for Sir Geoffrey Howe, the Chancellor. Sir Geoffrey wants fresh ideas for a new North Sea taxation package.

Meanwhile, he has introduced a temporary Supplementary Petroleum Duty — a new revenue tax—as well as changes in the existing Petroleum Revenue Tax.

Companies are reassessing their investment in the light of the extra tax burden. Occidental Petroleum announced it is postponing development of its North Claymore Field. The industry warns that a number of small fields which had looked economically attractive to development will now be uncommercial. The size of an economically marginal field, one just about worth developing, is said to be in the 100m-150m barrel range. Last year fields of 50m-75m barrels were regarded as viable.

● The Commons should reject the Budget proposal to raise the price of Derv by 20p per gallon, regardless of any decision about the price of petrol, Mr. Len Payne, president of the Freight Transport Association, said in Stafford yesterday, *writes James McDonald.*

The increased tax on Derv could not be absorbed by the transport industry. It would have to be passed on to consumers in increased prices, Mr. Payne told the annual meeting of the FTA's North-West Midlands' division.

Mr. Payne, director of distribution of J. Sainsbury, said Derv prices in the UK were significantly higher than in the rest of the European Economic Community.

The proposed increase would inhibit further the export efforts of British industry by increasing export prices.

UK NEWS—LABOUR

Ballot subsidies backed by Duffy

BY OUR LABOUR STAFF

MR. TERRY DUFFY, president of the Amalgamated Union of Engineering Workers, yesterday warned outsiders not to interfere in the union's decision on accepting Government money to fund secret ballots.

The union's executive seems likely to recommend that the policy-making national committee should accept funds under the terms of the Employment Act 1980. The committee meets in Eastbourne next month.

Accepting Government money would place the union in conflict with TUC policy. Last year the AUEW and two other unions only narrowly avoided suspension from Congress over the Isle of Grain power station dispute.

Mr. Duffy, in his presidential address to the AUEW's women's conference at Eastbourne yesterday, said the national committee would not succumb to outside threats, but would do what was best for the members of the union.

Postal balloting for the election of AUEW officials is already standard, and costly—it is estimated balloting costs the union *some £250,000* a year.

Mr. Duffy said: Some say we should get rid of our democratic system because it is too expensive. I reject this attack on the basic principles

He pointed to the TUC's longstanding acceptance of Government money *to further* its educational programme, and said this was inconsistent with its opposition to taking money for ballots.

Under present rules the TUC has no sanction against unions which accept money for ballots, short of *expulsion* or *suspension*. It is unlikely the TUC would go this far over this issue, and may well consider altering the rules to allow fines.

Mr. Duffy told the women's conference that confining women to the house was not the *solution* to mounting unemployment.

British Gas faces 18% white collar pay claim

By Nick Garnett, Labour Staff

BRITISH GAS will today receive a pay claim on behalf *of its 55,000 white collar staff* for rises of 16 to 18 per cent.

The claim, due for settlement in June, also involves a reduction in the working week from 37 hours to 35 and improvements in annual leave.

Last year, the corporation's* administrative and technical workers, most of whom belong to the National and Local Government Officers Association, obtained salary rises of 19-20 per cent, paid one month early in a deal worth 23-24 *per cent overall.

That lifted the majority of salaries to a range of £3,600 to £10,500. Union negotiators appear confident that this year's negotiations can be resolved relatively easily.

Negotiations for the *corporations' 42,000 manual* workers, represented by the General and Municipal Workers Union, are due to resume next week.

The union has rejected an offer of between 9.1 and 10.2 per cent on basic rates with *bonus pay raised by the same* percentage amount. The employers have offered to reduce the 40 hour working week to 38.75 hours in August.

Pickets fail to stop tax office

BY PHILIP BASSETT, LABOUR STAFF

CIVIL SERVICE *pickets yesterday* failed to halt an attempt by senior Inland Revenue management to process tax contributions from medium-sized organisations, usually handled by two strike-bound tax computer centres.

Pickets will be placed *again* early this morning o na portion of the Revenue's London headquarters to try to stop about 12 senior staff from repeating yesterday's successful effort.

Senior staff at the two computer centres at Cumbernauld in Scotland *and Shipley in Yorkshire* began sorting out payments from medium-sized organisations — those whose monthly Pay As You Earn and national insurance contributions are between £3,500 and £10,000 — last Friday, when it *was known the two centres* would be stopped by action over pay.

These payments, identified by code marks of "L" on the envelopes, together with mail turned away from the two centres yesterday morning but later retrieved from Post Offices, were taken to Leeds and Edinburgh to be sorted, and then sent to Bush House *in London* for processing and banking.

Two other centres out of 15 may also be used today.

Leaders of the Council of Civil Service Unions decided in response to issue instructions to all members of the Inland Revenue Staff Federation working in tax collection to black the work dealt with by the senior staff.

The union leaders accept that this could lead to an intensification of the dispute, with large numbers of staff being *suspended. They are ready for* all the 10,000 collection staff to be suspended and, if they are, *will take them out* on strike at a cost per week to the unions of about £750,000.

The unions are also considering blacking payments from large organisations made through the Giro system. The Revenue has urged these *organisations* to make payments through this system rather than through Cumbernauld and Shipley.

But there are differences between the key unions over how best to proceed. Blacking would involve giving the *numbers of* Revenue Giro accounts to the 400-odd staff in the Opening and Scrutiny branch, mainly members of the Civil and Public Services Association.

The Banking, Insurance and Finance Union is due to discuss *this morning the possibility of* blacking the movement of Giro cheques through the clearing banks. However, there are some doubts about the ability or readiness of union members to take action which might lay them open to disciplinary measures.

Members of the Council of Civil Service Unions' major policy committee accepted yesterday in a review of the action's progress that the dispute would probably be lengthy.

The Prime Minister, answering a Commons question yesterday, said civil servants' pay was 50 per cent above its level two years ago. Mrs. Thatcher said: "This shows this Government has tried to give those who work in the public service a fair and true deal."

She reiterated her firmness in pursuing the Government's *objective of cutting the size of* the Civil Service to 630,000 by the next election.

Top union voted against water deal

By John Lloyd

ONE OF the two main unions in the water industry voted to reject the employers' offer of 12.3 per cent to the industry's 32,000 manual workers. But it agreed to abide by the majority for acceptance at a joint union meeting on Monday.

The water committee of the National Union of Public Employees, which has about 10,000 workers in the industry, recommended rejection of the offer last Friday. The union's national executive endorsed the recommendation the next day.

The rejection was based on a count of the union's regions. This showed a majority against the offer, of eight to six. However, it is understood that the individual membership count showed a majority of 4,096 in favour compared with 3,910 against.

The industry's largest union, the General and Muncipal Workers, obtained a majority in favour by an alternative method of counting. Though five of its regions rejected the offer, compared to three accepting (with one, London divided) the membership count in favour was 8,700 compared with 7,394 against.

The figures were achieved by assuming that all the members in the "acceptance" areas were for the offer and that all members in "rejection" areas were against.

Overall, union officials believe that the proportion of manual workers favouring the offer was about 56 per cent.

The settlement will add about 1.2 per cent to the water rates and will be backdated to the settlement date of last December.

Dock talks deadlock

BY OUR LABOUR STAFF

HOPES FOR an early end to the Southampton dockers' pay dispute, which has closed the port for more than a week, were dashed yesterday when talks between employers and union leaders broke down.

Shop stewards in the Transport and General Workers' Union will convene a mass meeting of dockers tomorrow when proposals will be discussed for sending pickets to other ports to prevent handling and transport of cargoes diverted from Southampton.

After a meeting with local TGWU leaders yesterday, the Southampton Port Employers' Associated said it had rejected an offer to return to work because it was made clear that disruptive action, including lightning strikes, would continue with a full withdrawal of labour by one shift in the container berths from this weekend.

Employers said they were unable to meet the dockers' claim for comparable earnings with non-registered dock workers—such as foremen and checkers

The British Transport Docks Board, which has offered the dockers a pay rise of 7 per cent, said yesterday it was "extremely concerned"

Corby strike on

OVER 40 workers in British Steel engineering projects at Corby, Northants, voted yesterday to continue their strike over the use of outside contractors. They walked out last Friday.

Scargill calls for miners' right to injury payments

BY OUR LABOUR CORRESPONDENT

M. ARTHUR SCARGILL, the Yorkshire miners' president, has said that the National Coal Board should pay compensation for death and injury to miners as of right, and that miners' dependents should continue to receive his wages.

Writing in his annual report to the Yorkshire area conference, Mr. Scargill called for a campaign to persuade the NCB to establish a "no faults" liability scheme.

At present, the damages paid by the board depend on an adjudication of the causes of death, and whether or not it was caused by NCB or employee negligence.

Mr. Scargill, the left candidate for the presidency of the National Union of Mineworkers, said: "No man goes to work with the intention of being killed or badly injured. It is ludicrous to deny a widow or badly injured member an amount of compensation because we are unable to prove negligence on the part of the employer.

"No-one can justify such an iniquitous system. How on earth the Labour movement tolerated for so many years the existence of this hit and miss system is beyond my understanding."

Women seek greater job equality

BY PAULINE CLARK, LABOUR STAFF

BRITISH companies who properly abide by the women's equality laws should consider advertising themselves as "equal opportunities employers" when recruiting women for jobs, a leading TUC women's rights campaigner urged yesterday.

Mrs. Marie Patterson, chairman of the TUC's Women's Advisory Committee, said this was one of a number of proposals being put forward by trade unionists in a recently-formulated TUC positive action programme to help improve the position of women in employment.

The programme also seeks to encourage greater involvement of women in the trade union structure and in top union jobs. It will provide the central theme for debate at the 51st TUC Women's Conference to take place in Southport on Thursday and Friday this week.

Mrs. Patterson said that the economic recession had undermined the position of working women and as a result the need for a positive action programme was never greater.

The unemployment problem had increased the need for women to go to work and also the need to press for better retraining opportunities for women to equip themselves for employment when the recession ends.

The idea that women only earn "pin moey" she said was years out of date and only voiced by a few Tory Ministers. It was a measure of the importance of women's earnings that supplementary benefits paid out to families would be a third higher if it were not for married women going out to work. Some 800,000 single parents were women, while 250,00 0women had been found to be family breadwinners.

The conference will debate a *major* composite motion on positive action and job segregation. The motion points out the lack of progress towards equal pay and equal opportunities in the workplace made since the passing of the Equal Pay Act and the Sex Discrimination Act in 1975.

The motion demands that a campaign be started to ensure that the Acts are fully implemented. Employment Protection Act's provisions on disclosure of information should be use dto allow more access to statistics on the position of working women.

A special report on the need for further action on equal opportunities for women to be put to the conference argues that job segregation is the main impediment to achieving equal pay for women, the majority of whom still worked in the traditional unskilled low paid jobs.

The problem could be partly attributed to the failings of the two Acts but legislative improvements would not close the earnings gap without greater union efforts to promote equal pay and job opportunities.

● National executive committee elections in the Confederation of Health Service Employees recent dealt a blow to women trade unionists when all three women members of the 29-strong committee were defeated, the union's journal 77 per cent of the union's members are women, there are now no women on the executive.

Building men call offer 'derisory'

By Our Labour Staff

THE EXECUTIVE of the Union of Construction, Allied Trades and Technicians yesterday rejected as "derisory" a pay offer involving a four-month wage freeze followed by a rise of *5.75 per cent in November.*

The biggest construction union said it was not prepared to accept the proposed wage freeze and instructed its negotiators to resume talks. These have been fixed for the beginning of next month.

Mr. Les Wood, the union's general secretary, has already warned that his members would almost certainly be prepared to take industrial action over such an offer. A similar warning was made by Mr. George Henderson, national construction secretary of the Transport and General Workers Union.

The employers said that it would be "suicidal" for the industry to improve pay and conditions as the unions requested *while the industry* was "in the grip of the present crippling recession."

Aid urged for print industry

By Our Labour Staff

THE TUC's printing industry committee yesterday called for "substantial resources from Government and industry to be devoted to training, *particularly in the* light of accelerated technological and industrial change."

The committee is to make "strong representations" on the issue to Mr. James Prior, the Employment Secretary, and Sir *Richard* O'Brien, chairman of the Manpower Services Commission.

Thatcher bars wider Cabinet talks on Budget

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE PRIME MINISTER made it clear in the Commons yesterday that she has no intention of allowing wider discussions within the Cabinet on the strategy and contents of the Budget.

She emphasised her determination to retain the 20p increase on petrol duty and rejected a demand from Mr. Michael Foot, Opposition leader, that it should be the subject of a free vote in the Commons.

Mrs. Thatcher also endorsed the recent suggestion by Mr. *Nigel Lawson*, Financial Secretary to the Treasury, that the Government might be able to reduce the standard rate of income tax from its present *level of 30p to 27p or 28p before* the next general election.

Mr. Foot asked her to explain the circumstances in which she had set up an inquiry into alleged Budget leaks. Mrs. Thatcher explained that she had not set up the inquiry herself. It had been done in the normal way by the Treasury, in conjunction with the Civil Service Department.

There was laughter when Mr. Foot asked: "Must we take it then that this is the normal inquiry into the usual leakage?"

It seemed to him that the *most serious leak had occurred* in the Prime Minister's own office last Friday, when it was made known that she would not hold pre-Budget meetings in the Cabinet because of the dangers of Budget information becoming known outside.

"What was discussed in the morning might be out by tea time," he observed. "Can you tell us who these teatime traitors are?"

Heatedly, the Prime Minister assured him that she had never been a member of a Cabinet where the Budget was discussed before it was finally prepared.

But refusing to let the matter drop, Mr. Foot argued that this was a most extraordinary development, and certainly had not been the practice in previous Cabinets.

The Prime Minister snapped: "Budget statements are never discussed in Cabinets—never, never."

Thatcher: rejected demand for free vote on petrol duty increase

She certainly doubted whether there had been any wider discussion in the Labour Cabinets of which Mr. Foot had been a member.

Mr. Alfred Dubs (Lab., Battersea South) suggested that the options underlying the Budget should be published in advance to give the opportunity for a debate in the House and the country. This idea was knocked down with a curt "no, sir" from the Prime Minister.

Mr. David Steel, Liberal Leader, *intervened* to ask whether it was the Prime Minister's view a week after the Budget that Britain still had to "go on taking the medicine." He reminded her that labels on medicine bottles always warned "caution — do not exceed the stated dose."

Tersely, Mrs. Thatcher retorted: "The stated dose has not yet been exceeded."

Mr. Peter Hardy (Lab., Rother Valley) wondered whether she had given her "complete approval" to the recent statement by Mr. Lawson in which he seemed to suggest that there would be cuts in direct taxation, even though there would be substantial increases in unemployment.

Mrs. Thatcher replied that Mr. Lawson — speaking in a TV interview — had said that it was the Government's objective to reduce the standard rate of income tax below its present level.

"It was and remains our objective and a very good objective it is," commented the Prime Minister.

Mr. David Stoddart (Lab., Swindon) said the petrol increase had been widely condemned on the Government side of the House the previous night. He urged the Government to review its policy before the committee stage and revoke the increase.

But the Prime Minister flatly rejected this suggestion and recalled that the Labour Government had nationalised British Aerospace and British Shipbuilders with a majority of one in the Commons. The Government majority of 14 on petrol tax the previous night had been 1,400 per cent better than that.

In a final intervention, Mr. Foot suggested that since the increase seemed to be causing such disruption in the country, she should make it the subject of a free vote in the House.

Once again this brought an abrupt "No" from Mrs. Thatcher.

University staff to be cut by 7,000 MPs told

By Michael Dixon, Education Correspondent

AT LEAST 7,000 university staff, including 3,000 academics, face redundancy over the next three years, Dr. Edward Parkes, chairman of the University Grants Committee which distributes funds to universities, told the Commons Public Accounts Select Committee yesterday.

While it would be for the courts to decide the compensation payable to redundant academics originally appointed until retirement age, individual payments could well range between £40,000 and £80,000.

The total *bill for compensation* over the next few years was likely to be between £100m and £200m.

Dr. Parkes emphasised that these estimates were based on the "optimistic" view that the fall in universities' income over the period, as the result of Government decisions on public spending, would be only about 11 per cent.

However, the Committee of Vice-chancellors and Principals of the universities estimates the fall at up to 15 per cent.

Both Dr. Parkes and Sir James Hamilton, Permanent Secretary of the Department of Education and Science, told MPs that the spending decisions and their probable effects were still under discussion.

But Dr. Parkes said that unless the Government provided extra money to meet redundancy payments, or slowed down the rate at which universities would lose income, some institutions would go bankrupt.

If the Government did allow *such provision for an orderly* reduction of the university system, there need be no closures of whole institutions.

The system could be reduced by closing only particular departments or colleges within universities.

Government could scrap 2,000 jobs

THE GOVERNMENT could scrap 2,000 Civil Service jobs if proposals it is making for local authorties to handle all rent and rates assistance to householders come into effect.

In a Commons written reply yesterday, **Mr. Michael Heseltine**, Environment Secretary, said he was talking with local authority associations about simplifying the system of helping families with housing costs through both supplementary benefits and local authority rebates and allowances.

Later, in a statement, the Department of the Environment said the proposals, in a consultative document published yesterday, provided for all rent and rates assistance to be administered in future by local authorities.

British aid for Belize continues

FINANCIAL TIMES REPORTER

BELIZE, BRITAIN'S last colony in Central America, will get a "golden handshake" when it becomes independent soon, MPs were told yesterday.

And Britain will go on *supplying aid to the tiny out*post on the edge of the Caribbean for a number of years, Mr. Neil Marten, Overseas Development Minister, said.

The Government announced last week it is set to give independence to Belize.

But Foreign Office Ministers made it clear in the Commons and the Lords yesterday that *they plan to make sure the* independence terms for Belize, formerly known as British Honduras, will assure the country's security.

British troops have been in Belize since 1972 to protect it from threats from neighbouring Guatemala, which has long claimed it should have sovereignty over the colony.

Lord Carrington, Foreign Secretary, said in a statement presented in both Houses of *Parliament yesterday*: "*Under* the terms of the treaties we shall now negotiate, the Guatemalan territorial claim will be ended and Belize's future security will therefore be assured."

It would end the 100-year dispute between Guatamala and Belize.

In a brief Commons debate *on the issue, Mr. Marten added:* "Aid to Belize will continue for a number of years.

"Although the figures have not been decided we are considering a suitable aid package, sometimes called a golden handshake, to be discussed with the Belize Government on independence," he said.

Britain currently gives Belize *£3.2m* aid a year but it costs £26m to keep the present force of 1,600 British troops there, equivalent to about £200 for each member of the colony's 140,000 population.

One of the main benefits for Britain of the Belize settlements is that the army is likely to be withdrawn after a while but Lord Carrington said yesterday it was too early to decide the future of the troops.

In the Commons, Mr. Nicholas Ridley, Foreign Office Minister of State, promised: "The Government will take whatever steps are necessary to reinforce Belize's independence and security in the light of events when it comes to independence."

Nott pressed on plans for nuclear subs

Financial Times Reporter

MPs were told yesterday that no decision has been reached on plans for building future nuclear submarines despite Press reports that Cammel Laird at Birkenhead is not to be opened as a nuclear shipbuilding yard.

Mr. John Nott, Defence Secretary, was challenged during defence questions in the Commons by **Mr. Brynmor John**, shadow Defence Secretary, about the reports.

Mr. John said not opening Cammell Laird would cause an interruption in the construction of hunter-killer submarines because the Vickers yard at Barrow would be fully-occupied with Trident.

"It makes no sense to spend £5bn on a marginal addition to the so-called deterrent at the expense of interrupting our other defence commitments," he said.

But Mr. Nott told him: "The future of the shipbuilding programme for SSN's, non-ballistic nuclear submarines, over the 10-year period we are talking about has not yet been decided."

● The Government is confident that President Reagan will finally secure United States backing for Britain's advanced anti-airfield cratering strike weapon, Mr. John Nott said in the Commons yesterday.

Pressed by **Dr. David Clark**, Labour defence spokesman, to clarify America's attitude to the joint development of the weapon —code named JP233 — and whether the Government were prepared to carry on alone, Mr. Nott said the Congress "were unwilling to pass the funds" when presented with the project by President Carter.

"The present administration has put the matter back before Congress and I believe it is likely to get through this time."

"It would be very much better if we both went in for this than if we were required to do so alone."

Du Cann appeals for stricter Parliamentary control over spending

BY MARGARET VAN HATTEM, LOBBY STAFF

MR. EDWARD DU CANN, chairman of the influential Treasury and Civil Service Select Committee, yesterday called for much stricter Parliamentary control over Government spending, and urged that select committees be empowered to alter the Government's estimates before they were put to the vote.

He told the Procedure (Supply) Select Committee that control over expenditure no longer belonged to Parliament and should be restored as soon as possible.

"The way we fail to examine expenditure is a disgrace in a modern democracy," Mr. du Cann said. "It is a scandalous state of affairs. Democracy is weaker as a result and control of the executive is made more difficult."

Private members had to have a proper opportunity to question Government policy and plans and to obtain general satisfaction in replies to their questions before voting on supply. "The House should refuse to vote supply whenever it does not have an opportunity (which to its shame it does not usually have at the present), to express grievance before supply."

The newly established departmentally related select committees were working well so *far, he went on, but would not* be sufficiently effective if they stuck to ad hoc inquiries and did not maintain a continuous scrutiny of spending.

They would have real authority only when they had some control over the purse strings. They should not be able to increase estimates, but should be able to cut them back and possibly to suggest a change in the overall balance of spending, shifting money for example from defence to social services.

The Government would probably, in the end, use its majority to push through the estimates it had wanted from the outset. "But the Government, even if they managed to reverse all the decisions taken by the select committees, would have to defend their proposals in public in a way they had not had to do *for very many decades.*"

Mr. du Cann, whose committee has been extremely critical of the Government's monetarist strategy, did not refer directly to the revolt on the Conservative backbenches on Monday night, when eight Tory MPs voted against the proposed increase in petrol duty and more abstained. But when Mr. *Anthony Beaumont-Dark* (C., Selly Oak), suggested that the Government's main problem might be that of convincing its own supporters "as we saw last night," Mr. du Cann smiled and said: "If the Government has an incontrovertible case it will always win the day."

One advantage of subjecting estimates to detailed scrutiny in select committees was that members were relatively free there from party constraints and more open to reasoned argument. There was perhaps a danger of developing parties within parties, he concedede, with "educationists" pitted against "social services" as committees fought their own corner. There was also a danger, if the party whips chose to pack the committees with members of a particular persuasion, of their degenerating into "mere shouting shops."

He also conceded that he might have gone too far in suggesting that one committee, possibly the Treasury and Civil Service committee, be responsible for co-ordinating the work of other committees — paralleling the Treasury's role in co-ordinating departmental spending — and forming an overall view.

Jenkins makes passionate plea for electoral reform

BY ELINOR GOODMAN, LOBBY CORRESPONDENT

MR. ROY JENKINS, founder member of the Council for Social Democracy, last night claimed that therew as now a real chance that Britain's presystem would be changed within the next five years.

At a banquet in the City of London organised by the City Committee for Electoral Reform, Mr. Jenkins made his strongest attack yet on the voting system which, as it now stands, would present a major obstacle to the Social Democrats' hopes of breaking the domination of the two main political parties.

The objection to the present system was not, he said, just the obvious one that it was unfair to minorities. What was more damning, he claimed, was that it was unfair to the majority as well.

Reformists were demanding, he said, a move to a fairer system which would allow a "clearer representation of the popular will, accompanied by a greater stability of national direction and policy."

Mr. Jenkins insisted that the only obstacles to reform were the "part oligarchies." But their strength, he claimed, was greatly exaggerated.

"We cana nd shall achieve proportional representation in the 'eighties and very likely before the middle of the decade."

Proportional representation was not a panacea but was an essential step to the "regeneration of Britain."

Majority of homeworkers 'ready prey' to employers

BY LISA WOOD

THE VAST majority of homeworkers are exploited, although there are some employers who accept their responsibilities, the Employment Select Committee was told yesterday by **Mr. Frank White** (Lab., Bury and Radcliffe).

He said most homeworkers fell into three categories—the chronically sick and disabled, ethnic minorities, and women with young children.

"All are ready prey to people who seek to employ them."

A private members Bill, presented to the House by Mr. White earlier this year sought to establish "employee status" for homeworkers, bringing them into the sphere of employment legislation. The Bill was blocked at its second reading.

Mr. White said many homeworkers were unwilling to complain about their situation for fear of losing their jobs.

"It is not the intention of my Bill to do homeworkers out of the right to work. It is suggested that the costs entailed will force employers out of giving homework."

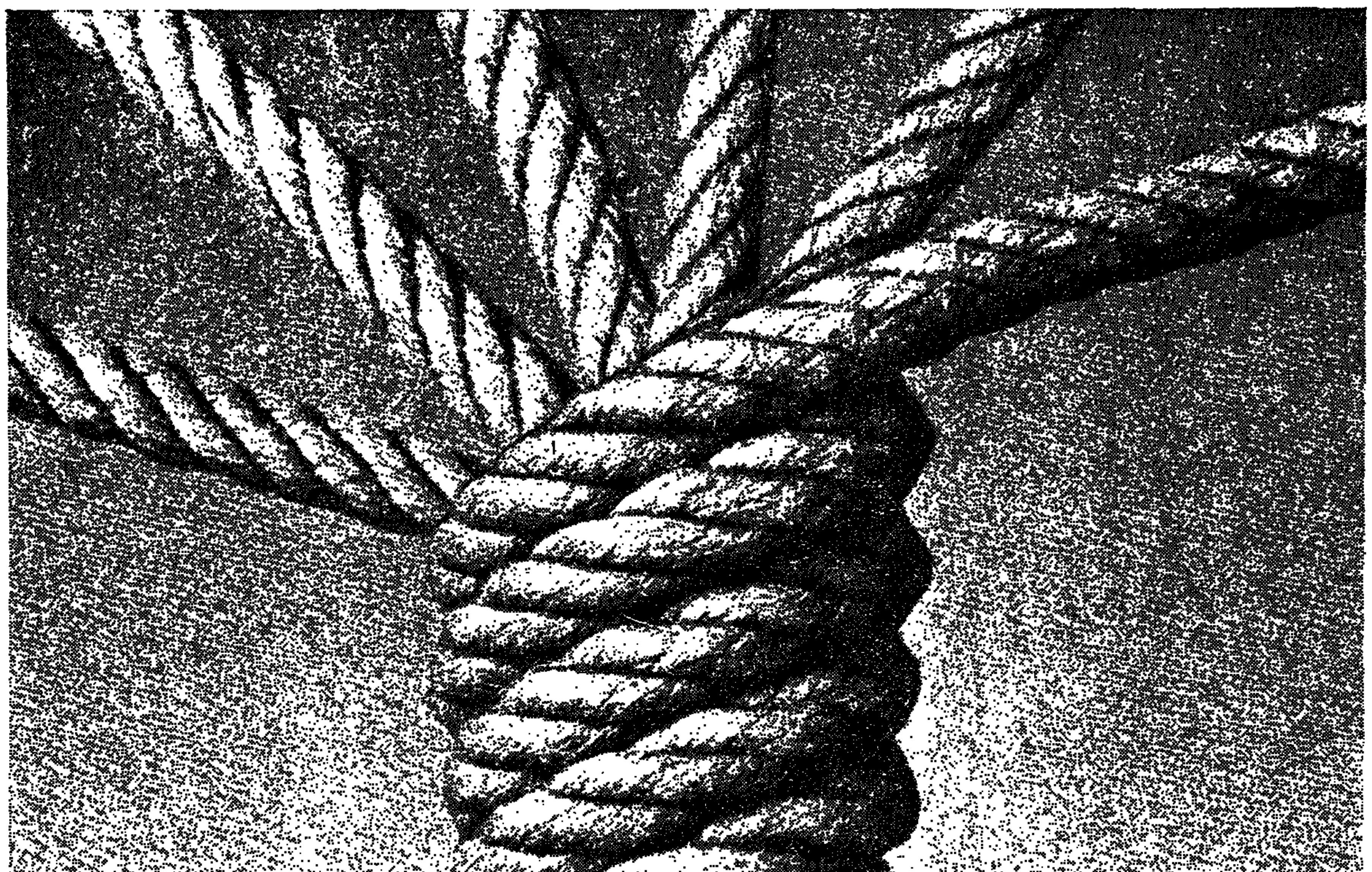
Today in Parliament

Commons—Debate until about 7 pm on the economic problems of Northern Ireland. Motions on the Prevention of Terrorism (Temporary Provisions) Act 1976 (Continuance) Order, on the Redundant Mineworkers' and Concessionary Coal (*Payments Scheme*) Order, and the Mineworkers' Pension Scheme (Limit on Contributions) (Amendment) Order.

Lords—Debate on the effects of expenditure cuts and increased fees on the quality and availability of the education service.

Select Committees—Industry and Trade. Subject: Effects of British Steel Corporation's corporate plan. Witnesses: Mr. Ian MacGregor and other British Steel representatives. Foreign Affairs. Subject: Gibraltar: The situation in Gibraltar and UK relations with Spain. Witness: Lord Bethell. (Room 15, 11 am). Welsh Affairs. Subject: Broadcasting in the Welsh language and the implications for Welsh and non-Welsh speaking viewers and listeners. Witnesses: Welsh Arts Council (11.15 am); Mr. William Whitelaw, Home Secretary, and Mr. Wyn Roberts, Welsh Under-Secretary. (Room 6, 4 pm). Public Accounts Subject: Shortcomings in maintenance of inventories, stocktaking and security exhibits (British Museum, Science Museum and the Victoria and Albert Museum). Witnesses: Office of Arts and Libraries, British Museum. (Room 16, 4 pm.

Treasury and Civil Service. Subject: The Budget and Government's expenditure plans 1981-82 — 1983-84. Witnesses: Treasury officials. (Room 15, 4.15 pm). Employment. Subject: The work of the Department of Employment Group. Witness: Mr. James Prior, Employment Secretary (Room 10, 4.30 pm). Social Services. Subject: Medical Education. Witnesses: Medical Woman's Federation. (Room 21, 4.30 pm).



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"Bonus rates again increased."

STATEMENT BY THE CHAIRMAN, MR. A. M. HODGE

To be presented at the Annual General Meeting on 24th March 1981.

New U.K. Premiums up 53%. Investment Linked Bonds Success. 12% Growth in Pensions. Increased Canadian Business.

UNITED KINGDOM AND REPUBLIC OF IRELAND

Assurance Business

Economic recession and continuing high inflation made last year a difficult one. At times such as these it is necessary to work harder to achieve the same results as in more favourable conditions. It is therefore with some satisfaction that I am able to report that the total premiums (single and annual) on new business in the U.K. last year, at £41.7m., were 53% higher than in the year before. In the Republic of Ireland our new annual premiums increased by 9% to IR£1m. Two years ago we introduced a highly successful Guaranteed Bond since when we have received single premiums of IR£20m., IR£13½m. in the first year and IR £6½m. last year.

For long our major class of business was with-profit endowment assurance policies taken out either for investment or for house purchase. There has in the last few years been a trend away from this for various reasons. Last year in particular, activity in the house purchase market was much lower than normal. At the same time there has been an increasing tendency on the part of the public to buy policies linked to unit trusts. To satisfy this need we issued a Capital Investment Bond contract in October 1979. This was highly successful and was followed last year by the Regular Investment Bond and a Personal Pension Bond. The performance of the invested funds underlying these Bonds has been remarkable. As an example, between its inception in October 1979 and 15th November 1980 our U.K. equity fund's unit price grew 55% compared with a stock market movement of only only 26%.

Our aim is still, as it always has been, to produce those forms of life insurance which the public needs. It has been quite clear for some time that one need is the provision of life cover which can increase from year to year to compensate for inflation. As far as possible our contracts allow this to be done. For example we issue increasable term assurances under which the policyholder can choose to increase the amount assured from time to time without the need for further medical examination. While this goes some way to solving the problem it would be possible to go further if the rules governing policies which qualify for tax relief on premiums were altered to allow these premiums to be increased at least in line with inflation.

A large part of our business comes through insurance brokers and so we welcome the recent legislation which has set up the Insurance Brokers Registration Council which has the task of registering those who qualify. We hope that as many as possible will register because we believe that this will be in the interest of the public since after December 1981 no one else will be entitled to call themselves "insurance brokers". In future, therefore, members of the public will know that that designation positively identifies the firm or individual who will give professional independent advice and I would suggest that they seek such advice, where possible, when considering their life assurance needs.

We welcome also the forthcoming introduction of a code of practice on the methods of selling life assurance. This has been drawn up by the Life Offices Association, the Industrial Life Offices Association and the Associated Scottish Life Offices of which we are a member. The public is entitled to expect high standards of professionalism and, in the main, receives it but the code of practice should provide safeguards where needed. We hope that the spirit, as well as the letter, of the code will be observed.

Pensions Business

It is nearly two years since the Social Security Pensions Act 1975 came into force and the activity which that produced has died down. So many employers have recently reviewed the pension provisions for their staffs that new schemes in the market as a whole can arise only from that small number of firms deciding to provide pensions for the first time. Our Stanplan series of policies is particularly appropriate in these cases because they are based on a ready made trust deed and rules with Standard Life Pension Funds Ltd. as trustees. There is no need, therefore, for employers to go through the lengthy and difficult process of having their own legal documents drawn up.

Last year there were 143 new insured schemes compared with 157 in 1979 and 316 in the exceptionally good year in 1978. As well as new schemes we have been active in providing what are known as additional voluntary contribution (AVC) schemes. An AVC scheme is installed as part of a firm's main pension scheme and allows members to contribute to increase their pension benefits up to the maximum allowed by the Inland Revenue. This is particularly useful for those employees whose service with the employer will not allow them to receive a full pension.

A better indication of the growth of our business is given by the total premium income received each year for all our insured schemes. Last year the total of annual and single payments was 12% higher at £121m. compared with £108m. the year before.

Investment

Last year we invested £130m. in fixed interest securities, £67m. in ordinary shares, and £40m. in property. The proportions of the total fund in these groups of investments at market value were about 40%, 35% and 25% as at 15th November 1980.

We have continued to provide finance for the building of office blocks, shops and the development of industrial estates. In particular the large office complex at Cutler's Gardens in London is nearing completion. It was officially topped out by the Lord Mayor of London on 6th October last year. Space of the quantity and quality available in Cutler's Gardens is scarce so we expect the development to prove attractive to those seeking accommodation and so advantageous to our policyholders.

CANADA

New Business

There has been a good increase in our new ordinary assurance business in Canada with new annual premiums up by 38%. Our success is due both to the introduction of new products and to an expansion in our sales force which grew from 165 in November 1979 to 185 in November 1980. I am sure, too, that the large increase of 66% in new annual and single premiums on group pension business can be attributed to the quality of our service, to the competitive rates which we offer and to our excellent investment record.

These results show that we have a vigorous and profitable presence in Canada, a country in which we have been represented since 1833, and I should like to congratulate Alastair Fernie, our President, Canadian Operations, and his team on what they have achieved.

Investment

Although the nature of our insured contracts requires that most of our investments are in fixed interest securities we nevertheless have over $200m. invested in property. In particular we have "Standard Life" buildings housing offices in many major cities in Canada. On one such the name was unveiled in Edmonton last September.

On behalf of our pension clients, we also manage investments worth $1.4 billion, an increase of 47% over last year. The performance of these funds has been very good. The increase in value of both our equity and our fixed interest investments has been greater than those of the corresponding market averages and indeed the performance of our total funds is ranked at the top by independent measurement services.

VALUATION AND BONUS

The valuation basis, as set out in the Actuarial Report, is unchanged from last year and remains exceptionally strong. The surplus earnings of the company have benefited from a further increase in the yield on investments while during the year the market values of our investments, and in particular ordinary shares, have improved substantially.

Our bonus declaration reflects these favourable investment conditions. We have felt able to increase our rates of reversionary and terminal bonus in the United Kingdom and Republic of Ireland and have also declared, for the first time, a terminal bonus in respect of U.K. individual pension policies. In Canada we have made significant increases in rates of reversionary bonus and have also increased the rate of bonus paid under with-profits group pension schemes. Bonuses under the latter contracts are paid in cash and declared on a triennial basis.

The declared rates of bonus are high by any standard and reflect the exceptional returns in monetary terms that accrue during inflationary conditions. It is therefore necessary to stress that current rates of bonus could not necessarily be maintained should investment yields subside in future to more normal levels.

GENERAL

Administration

The successful operation of our group pension schemes, of our assurance business and indeed of every aspect of our work depends to a large extent on our computer systems. It was in 1959 that we first launched into electronics, having previously used punched card equipment for the processing of data. Since then we have advanced far. Not only do we use computers for most of the calculations involved in day to day life assurance, we also use them to transfer information between our central files and visual display units at our branches so that we can provide a quick service for our agents and our policyholders. Over the years we have in this way both decreased the costs of administration and also enhanced the quality of service. In anticipation of further increases in data processing we have ordered a new more powerful IBM computer and hope to install it within the next year.

Staff

I must first refer to the retirement of our Joint Pensions Manager, Mr. R.G. Lauener. For many years his expert knowledge on the subject has been a source of strength. We wish him a happy retirement.

Although I have mentioned the usefulness of computers nevertheless the results which we have achieved and the successful operation of our whole administration depend primarily on our staff both here and in Canada, without whom none of this would have been possible; and I should like to express our congratulations to George Gwilt, our General Manager, and to all of our staff on their hard work over the past year.

Directors

I should like, too, to pay tribute to my colleagues on the Board for their help and the part they play in the success of the company. In particular I should like to mention Sir Thomas Waterlow who retires at this year's Annual General Meeting. He was appointed a Director on 27th May 1947 and served as Chairman from 1960 to 1963. During all this time we have had the benefit of his wide commercial experience and his shrewd observations. We shall greatly miss his presence on the Board and wish him well in his retirement.

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Head Office: 3 George Street, Edinburgh.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Wang: relying on nimble feet to break into the big league

Guy de Jonquieres reports on a pacesetter in the computer industry

A FEW months ago the top managers of a thrusting computer company sat down at their headquarters in the suburbs of Boston, Massachusetts, to ponder where the company would be in 10 years' time. One of them started punching some figures into a calculator. When the answer appeared, they stared in disbelief. He found that if the company continued to grow at its current phenomenal rate over the next decade, it would be four times bigger than International Business Machines, the undisputed colossus of the world computer industry, is today.

The Boston company, Wang Laboratories, is one of the main pacesetters in the mushrooming market for smaller computers and business systems. Founded by Shanghai-born Dr. An Wang (see inset), its growth has averaged almost 70 per cent over the last three years, taking revenues to over $543m last year. If that rate could be sustained through to 1990, it would give it a massive turnover of almost $110bn.

John Cunningham, Wang's 37-year-old executive vice-president, likes to tell the story but is quick to add that it won't come true. "We know that our growth rate must slow down. It's unsustainable," he says. "In some ways, we would like to freeze the world for a while as it is now."

Like a number of smaller companies riding the crest of the U.S. high-technology boom, Wang is discovering that one of its major challenges these days is coping with the consequences of meteoric success. Its staff has doubled to more than 15,000 in barely two years, and the average age of employees is in the twenties. Cunningham sees the daunting task of managing such fast-growing numbers of personnel as an important factor which argues for a more moderate rate of future expansion.

Another is finance. Though profits ($77.8m pre-tax last year) have risen broadly in line with sales, making Wang a favourite among investors in high technology stocks, it has recently stepped up its borrowings quite sharply.

In the past 15 months it has been to market four times, to raise almost $300m in convertible bonds. While its debt-to-equity ratio of roughly one-to-one is not over-stretched, Cunningham admits that he would feel more comfortable with a future annual sales growth of around 25 per cent, which he believes could be entirely self-financed.

While grappling with the questions of human and financial resources, management is also seeking to position the company for the next—most ambitious—phase in its development. The aim is to stake out a place among the half-dozen top manufacturers who Wang believes will spearhead the newly-emerging market for sophisticated electronic office information systems.

The battle for this market promises to be something of a prizefight, opposing such corporate heavyweights as IBM, American Telephone and Telegraph and Xerox. But Wang reckons that these lumbering veterans will leave open plenty of gaps to be exploited by smaller and younger competitors who are quick on their feet.

> "We have survived as a company because we respect IBM. We have always made sure that when they moved we got out of the way, so that we got hit only by a glancing blow on the side, instead of a crushing blow to the head"
>
> John Cunningham, executive vice-president (pictured left)

Handsomely

"We have survived as a company because we respect IBM," says Cunningham. "We have always made sure that when they moved we got out of the way, so that we got hit only by a glancing blow on the side, instead of a crushing blow to the head."

Wang's nimbleness has certainly paid off handsomely in word processors and small computers. It is the leading manufacturer of so-called shared logic screen-based word processors, with an estimated 46 per cent of the fast-growing American market. These systems use the power of a central computer to enable several operators, sitting at terminals equipped with television-type display screens and keyboards, to compose, edit and print documents.

It pioneered the market for systems which combine both data and word processing. These make it possible to perform on the same machine the calculations needed to draw up, say, a financial statement and then print out the result in document form.

Wang is also second only to IBM in U.S. sales of small business computers, with more than 20 per cent of the installed base, and makes medium-sized machines which compete successfully with IBM products.

It has been remarkably adept at spotting early the emergence of promising new markets and leaping in with attractively-priced products that are versatile and easy to use. According to the Boston-based Yankee Group, which analyses the computer industry, "the word processing market was wide open for a company like Wang."

Until it launched its "WPS" systems in 1976, customers had to choose between inexpensive but rudimentary electronic typewriters and more powerful but much higher-priced systems. Wang's terminals cost only $8,000 each, while the competition was charging between $15,000 and $20,000, according to the Yankee Group.

Wang's success has inevitably attracted competitors, not least IBM, which last June launched a versatile small word processor, the Displaywriter, priced at $7,900 in the U.S. in its most basic version. Wang responded in December with the Wangwriter, costing $7,500. The view in the industry is that demand for both machines will be more than ample, and that production capacity is likely to be the main determinant of sales.

Wang has kept down production costs by standardising many of its basic components. About a dozen units, assembled in varying configurations to make up computer systems, account for almost 90 per cent of output volume. Britain's ICL, by contrast, makes more than 800 different types of unit. Wang is also unusual for its size in distributing its products directly through its own sales network rather than relying on middlemen.

More than 40 per cent of Wang's sales are overseas, in some 30-odd countries, chiefly in Western Europe. It recently opened an assembly plant in Ireland, and is studying other sites in Britain, France and Australia.

Foreign sales have followed a somewhat jagged pattern, however. Britain, where sales exceeded $40m last year, has been a growth market. But results have been disappointing so far in West Germany, where Wang apparently under-estimated the strength of local manufacturers like Siemens, Nixdorf and Triumph-Adler. France, too, has proved hard to penetrate.

Wang's blueprint for becoming a fully-fledged member of the Big League of information processing companies calls for attaining sales of $5bn by 1990. By then, it aims to be doing 60 per cent of its business with major accounts (mainly large corporate customers), against 25 per cent today. "We must invest in these customers today even if it means a slow-down in orders over the short-term," says Cunningham.

Transform

There are two main strategies for attaining this goal. The first, according to Carl Masi, vice-president of marketing support, is "to transform ourselves from a small company known for the excellence of its products into a big company with strong marketing and support operations, like IBM and AT and T."

Wang's customer support has been the target of some criticism in the past. One study published last year by Strategic Business Services, a U.S. research firm, summed up the problem thus: "It appeared that Wang's customer support reps in some areas were overwhelmed with the task of bringing on new accounts and did not have time for follow-up training and on-site consultation."

Cunningham insists that Wang's reputation in this respect is worse than its actual performance, and says that recent company surveys show that most customers are now satisfied. Almost 1,500 new field engineers have been hired in the past year, and future recruitment will favour support staff over salesmen.

The second strategy concerns product development and specifically what Wang calls Integrated Information Systems (IIS). This is its version of the electronic office of the future, in which computer and communications technology will be combined to create highly sophisticated information processing facilities.

Wang expects demand for large-scale office automation to start growing strongly in about three years' time, spurred by the realisation among large companies of how electronic technology can be used to boost white collar productivity. It is counting on IBM to open up the market by using its huge sales force to spread the message.

The core of IIS will be what is known as a "local network," a circuit made of coaxial cable or sheaves of optical fibres, which will carry streams of digital data between terminals, computers and different types of business machine in an office or building. The data will be directed to their destination by computer control.

Wang has acquired some experience in developing Mailway, an electronic mail system which enables messages to be sent between word processors. But Cunningham admits that it may be necessary to seek partners to help build the network and design Private Automatic Exchanges (PABXs) to switch the data and voice transmitted on it.

Many industry experts agree that IIS, on paper at least, is among the most interesting approaches taken so far to office automation. But much depends on whether Wang is able to meet the formidable technical challenges it has set itself over the next three years. IBM and other corporate goliaths are undoubtedly among those watching with keen interest to see whether it can.

THE driving force behind the rise of Wang Laboratories, Dr. An Wang, is a self-effacing but deeply determined physicist with a brilliant record of technological innovation.

Born in Shanghai 61 years ago, he came to the U.S. in 1945 to take a post-graduate degree at Harvard. He decided not to return to China after the Communists seized power there a few years later.

His first major breakthrough was the invention of a magnetic core memory, the most common device for storing computer data before the development of the microchip. He sold the patent on the memory to IBM for $500,000 in 1954 and used the money to found Wang Laboratories the following year.

Since then, Dr. Wang has turned out a stream of ingenious and money-making products, including a computer typesetter and the world's first electronic scoreboard, installed at Shea Stadium in New York.

In 1965, he designed one of the first programmable calculators. It was an instant success, and Wang sold 500 of the machines, mainly to scientific and technical users. A fully-fledged minicomputer followed a few years later, and in 1972 Wang launched the first of the word processors which were to account for much of its subsequent success with business customers.

Dr. Wang, who invariably dresses in a dark suit, white shirt and bow tie, has fought consistently to keep the company independent. He, his family and trusts own almost 48 per cent of the voting shares. Though a multi-millionaire he lives modestly near the company headquarters in Lowell, Boston, and is noted for his philanthropic contributions to the community. He recently established and endowed the Wang Institute, an education centre for computer engineers.

Dr. Wang is both chairman and president of Wang Laboratories and remains closely involved in the company's affairs. But these days he devotes most of his attention to new product technology, and company insiders say that he has already taken steps to ensure a smooth transition when he eventually retires.

Much of the responsibility for operational management and the development of business strategy has been transferred to a corps of younger executives who include Dr. Wang's 29-year-old son, Fred, who is vice-president for market development.

Headed by John Cunningham, executive vice-president, several of the top managers have been with the company for 10 years or more. By Wang's standards, that makes them seasoned old-timers.

BUSINESS PROBLEMS

BY OUR LEGAL STAFF

Corporation tax liability

Our constituency association was recently asked to supply a copy of the past two years accounts to the Inspector of Taxes. A reserve fund is built up between elections to pay election expenses and this fund is normally placed with the Building Societies. The Inspector informs us that we are considered to be a company (Section 526 (5) ICTA 1970) and as such liable to pay Corporation Tax, tax deducted at source being offset against the liability. He further informs us that we are outside the scope of the act with regard to trading income. Is this correct? Can we avoid this tax?

As you probably saw from the report in the Financial Times on April 3 last year, the High Court decided that the Conservative and Unionist Central Office is not an unincorporated association, and therefore that it is not chargeable to corporation tax. However, from the judgment in that case, Conservative and Unionist Central Office v Burrell (Inspector of Taxes), it seems clear that political party constituency associations are indeed chargeable to corporation tax as unincorporated associations.

If your Association engaged in a trading activity, the profit would be chargeable to corporation tax. However, the primary activities of a constituency association do not constitute a trade.

The basic-rate income tax paid by the building society in respect of the interest paid (without deduction of income tax) to your Association is indeed recoverable, by virtue of section 343 (2) (b) of the Taxes Act (as amended by the Finance Acts of 1971 and 1972). The net rate of corporation tax payable on the interest received by your Association during the year ended March 31, 1980, therefore, is unlikely to exceed 14.285714 per cent (i.e. 1/7th of the interest received), after offsetting the income tax.

If the Association should decide to switch its funds to an NSB investment account, for example, the corporation tax would (at 1979-80 rates) amount to 40 per cent of the interest received.

It is, of course, just possible that the inspector may press for penalties for neglect to submit corporation tax returns in past years, so you may wish to discuss the position with the Association's auditors.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

FINANCIAL TIMES SURVEY

Wednesday March 18 1981

West German Industry

Germany's economy is flagging as intensifying competition from the Far East and particularly Japan is making huge inroads into the country's domestic and international markets. Heavy dependence on energy imports has eroded the trade surplus and much depends on industry's ability to restructure to meet the challenges.

Working to save the miracle

By Kevin Done and Stewart Fleming

FOR THE first time in a generation the power and efficiency of the German industrial machine is being questioned. Evidence is mounting that the Federal Republic is finding it much harder to adjust to the second oil price shock than it did to the first.

Partly reflecting these anxieties the Deutsche Mark, for so long a symbol of the nation's economic pre-eminence amongst its European competitors, has in recent months come under heavy pressure on the foreign exchange markets.

As a result the Bundesbank, the West German Central Bank, has found itself in the uncomfortable position of having to abandon its preferred monetary policy and instead to drive interest rates sharply higher at a time when the economy is already on the brink of recession.

The worries about the hitherto smooth running German economy have come with startling speed and at a time when the foundations of the dynamic German post-war economic recovery still seem to be largely intact. Germany still enjoys an inflation rate—currently between 5 and 6 per cent—which is the envy of some of its less fortunate neighbours and remains one of the lowest in the world.

Since 1975 capital investment has been rising steadily and last year *propped* up a *flagging* economy. Germany's leading corporations, and many of its medium sized concerns, have built leading positions in key sectors of international trade such as chemicals and mechanical engineering products. Its labour relations have yet to be soured by the bitter and protracted disputes which have been seen in the U.S. and Great Britain.

But for all its inherent strengths some cracks have begun to appear in the economic structure which have *prompted calls for economic* policy initiatives to be taken to strengthen the country's competitive position for the coming decade. Dr. Helmut Schlesinger, vice-president of the Bundesbank, has even used the description "re-industrialisation" to describe some of the changes needed.

In common with other Western industrial countries it is intensifying competition from the Far East which is eating into some of Germany's international and domestic markets. Several industries, textiles and steel, for example, have managed through ambitious investment programmes to restructure and pare down their manufacturing bases. But they are still threatened by state subsidised *industries in neighbouring* EEC countries or by the lower costs and greater efficiency of some Far East rivals.

In other key areas vital to the development of tomorrow's jobs, gaps are also appearing in German technology. Germany's engineering companies can still produce machinery to rival in quality any in the world. But where it comes to the incorpora*tion of electronic components*, for say steering machine tools, the Japanese have taken a clear lead and are making inroads into the West German market.

Assumption

The speed with which the Japanese motor manufacturers have doubled their share of the German car market to over 10 per cent in 12 months, shattering the complacent assumption that the German motorist would never forsake the domestic car makers, has been a shock for the automobile industry.

In segments of the home entertainment electronics industry, Far East imports have established solid beachheads, and in the area of cameras and optics, once German domains, imports have hit domestic producers hard.

Worries about German inventiveness are reflected in the number of patents being filed in the country. In the 1960s the Japanese accounted for about 4 per cent of all patent applications in Germany, last year the figure surged to 22 per cent.

One reason the Japanese challenge appears so strong both at home and in Germany's vital export markets, is that it has been concentrated in a few sectors. But it has raised questions about Germany's cost structure, including social costs. It is clear that total wage costs are high in international terms. In the spring of last year Dresdner Bank, a leading commercial bank, estimated that German average wage costs in manufacturing industry were around DM 22.0 an hour ($10.3) compared with about DM 12 ($5.6) in Japan.

High labour costs often go hand in hand with high productivity of course, and in this respect Germany still performs well among leading industrial countries. But there are fears that productivity growth could be slowing.

Fears about rising unit labour costs help to account for the hardening of attitudes that is overtaking industrial relations.

How the two sides resolve their differences in the current pay battle could be a pointer towards the willingness of workers to accept the need for sacrifices today in order to improve employment prospects tomorrow. The metal working industry is the arena in which the pace will be set. Here the country's largest union IG Metall has sought an 8 per cent rise and received an offer of 2½ to 3.8 per cent. The gap appears ominously wide.

After thirty years of uninterrupted economic success the German people, not to mention their political leaders, are finding it hard to make the psychological adjustment to a world in which real incomes may for a time have to stagnate. But even the most blindly optimistic amongst them cannot overlook the evidence of the challenges ahead which has surfaced in the past year.

DOMINANT INDUSTRIAL SECTORS—1980

	Workforce	Turn-over DM bn	Imports DM bn	Exports DM bn
Mechanical Engineering	1,090,000	121.8	22.4	63.1
Electrical and Electronics	945,000	100.8	20.8	34.3
Motor Vehicles	781,000	110.6	15.9	52.8
Chemicals	550,000	107.7	26.5	46.2
Food	449,000	117.7	20.7	15.9

Plunged

In this period the German current account of the balance of payments has plunged into an unprecedented DM 28bn (£5.98bn) deficit, a hole which does not look like shrinking much this year. Within this overall total the trade surplus which hit DM 50bn in 1974 plunged to only DM 9bn last year. In January, for only the second time in 15 years, Germany reported a monthly trade deficit.

Traditionally the exporting power of German industry has more than offset the heavy deficit on services—generated in large part by the lure of holidays in the sun—and transfer payments which include the billions of marks that foreign workers (Gastarbeiter) send back each year to their home countries.

But in the last 12 months, without the protection of the rising value of the Mark on the foreign exchanges, the strength of the manufacturing base has not been sufficient to compensate for both these external payments and the lack of natural resources.

It is in the energy sector, which has at least emerged as Germany's Achilles heel, that the lack of domestic resources is most keenly felt. The sheer scale of Germany's energy imports has been the biggest single factor behind the erosion of the trade surplus. Last year oil imports totalled DM 63bn, double the 1978 bill. It is not, however, just the size of the oil bill which is worrying. It has also become clear that energy is a political as well as an economic problem.

The Federal Republic is dependent for two thirds of its energy needs on imports and is therefore vulnerable to events in energy markets. Primary energy consumption did fall last year, and oil consumption dropped by 10 per cent. But Bonn is still left with the problem that oil — more than 95 per cent of it imported — is still needed to meet 48 per cent of the country's fuel needs.

Output of coal, Germany's one significant domestic energy resource accounting for about 30 per cent of energy requirements, is rising only slowly however and German production costs are among the highest in the world. The country is scouring the globe for new supplies of natural gas, but one of the most promising sources, the Soviet Union, raises awkward political questions about energy dependence on the Eastern Bloc.

Looking to the lead taken by neighbouring France, industrialists in West Germany are convinced that only the adoption of a full-scale nuclear power programme, without reservations, would be enough to convince the outside world that Germany was taking its energy problems seriously and that it was willing to tackle them on its own soil.

Convinced

But in such a densely populated country few sites offer themselves easily for nuclear development, and the Government is facing a well-organised, determined anti-nuclear movement.

Lack of a coherent energy programme in Bonn has been one reason for the speculation against the Mark although it has to be said that other forces, high U.S. interest rates, the shift into surplus of the U.S. current account, the hopes pinned to the new U.S. leadership, and the turmoil in Poland, have all played a part.

The fact remains that the German Bundesbank has been forced into the position of defending the currency virtually singlehanded. The tools it has used have driven German interest rates higher at a time of weakening economic activity and there is now growing concern that the "cure" for the symptoms which have surfaced in the foreign exchange markets may be as bad as the disease.

Thus at a time when unemployment has risen from 993,000 to 1.3m over the past year, with industrial orders down 5 per cent in the fourth quarter of 1980 compared to a year earlier, production falling and the economy expected to show a decline in output of between 1 to 2 per cent this year, long term interest rates have been pushed to a post war peak and credit for good quality companies is costing up to 14 per cent.

Much depends on how deep the economic recession turns out to be and on how long the unexpected high interest rate environment prevails.

WEST GERMAN ECONOMY

GNP (1980)	DM 1,501.5bn
Total population (including foreign workers)	61.5m
Area	248,577 sq km
Working population	25.6m
Unemployed	1.3m
Unemployment rate	5.6%
Inflation rate	5.5%
Exports (1980)	DM 350bn
Imports (1980)	DM 341bn
Current account deficit (1980)	DM 28bn

SHARE OF NATIONAL PRODUCT (1980)

Agriculture, forestry and fishing	2.2%
Producing sector (including energy supply, mining, manufacturing and construction)	48.5%
Distributive trades, transport, and telecommunications	15.3%
Services (including banking and insurance)	21.8%
Government (excluding some State enterprises)	11.4%
Households	1.6%

WEST GERMAN INDUSTRY II

Increasing worry about ability to compete

TRADE BALANCE

STEWART FLEMING

FOR THE many West Germans in both Government and industry who have been comforting themselves with the thought that the fall in the international value of the Deutsche Mark would soon translate into a surge in export sales the January trade figures must have come as a rude shock.

For the best part of three decades West Germany has enjoyed a consistently healthy surplus on its international trade, a surplus which reached a peak of almost DM 51bn in 1974, and which has symbolised the efficiency with which the nation has both produced and sold its goods in foreign markets.

In January, however, the Government reported the worst monthly trade figures since 1950, a DM 1bn ($468m; £213m) deficit, only the second monthly deficit in 15 years (the other was in August, 1980).

Evidence

One month's trade figures are of course a treacherous foundation on which to build conclusions about the health of an economy. But taken together with the evidence which has been accumulating over the past year, and with the closer analysis of the trade account which this accumulating evidence has sparked January's news was not all that wide of the mark as a reflection of the reasons for the nation's increasing concern about its international competitiveness. For the figures encapsulate a trend which has been apparent for the past two years and which cannot simply be explained away by by the rising cost of Germany's oil imports, although that of course is a major factor in the deterioration of the trade account.

SELECTED CURRENT ACCOUNT STATISTICS
(in DM bn)

	GNP*	Exports of goods*	Imports of goods*	Oil imports	Foreign and holiday travel deficit	Current account
1970	679.0	122.8	100.8	8.5	−5.4	+3.2
1971	756.0	133.1	109.6	11.2	−7.3	+2.9
1972	827.2	145.8	119.1	10.6	−8.6	+2.6
1973	920.1	174.2	134.4	15.0	−10.9	+12.3
1974	986.9	228.2	173.1	32.2	−12.4	+26.6
1975	1,034.9	219.6	178.7	28.9	−14.7	+9.9
1976	1,125.0	252.7	213.2	35.3	−14.6	+8.7
1977	1,200.6	268.4	224.7	34.4	−16.4	+9.8
1978	1,293.6	278.5	230.3	31.8	−19.0	+17.5
1979	1,404.2	307.3	277.9	47.8	−22.4	−10.1
1980 (p)	1,501.1	342.0	326.1	62.9	−25.9	−28.1

p provisional. * National Accounts Concept. Source: Government statistics.

Put simply, there has been increasing evidence of a tendency for imports to take a larger share of important domestic markets both for consumer and some investment goods, while Germany's performance in some export markets has been less buoyant than might have been expected. Thus whereas in 1974 and 1975 the Federal Republic was quickly able to shake off the added costs of its increased oil bill and maintain a solid trade surplus, the rise in oil prices in 1979 and 1980 is posing a much more serious challenge.

In its December monthly report the Bundesbank, the central bank, remarked that the problems the country faced in its international trade and payments are "not only a result of the oil price rise, and not only a cyclical phenomenon that will disappear with the weakening of the economy, but to a noticeable part a long-term structural problem to which economic policy must react." Indeed, the Deputy President of the Bundesbank, Dr. Helmut Schlesinger, has spoken of the need for a "re-industrialisation" of the country to meet the challenge, an idea which it seems hard to believe is relevant to an economy which in the 1960s and 1970s was a paragon of industrial power and efficiency.

The significance of the problems Germany has on its trade and current accounts—in 1980 the current account deficit was the largest in the world at DM 28bn and little if any improvement can be expected in 1981—go beyond the economic sector. Germany's political relations with its Western allies, as well as its Eastern neighbours and its oil suppliers, are all influenced by the fact that the country is heavily dependent on trade for its economic success. Its commitment to free trade is another reflection of this position.

Attitude

In this context it would not be hard to imagine a growing emphasis in official policy on "fair" as well as "free" trade as a result of the current account problems. Indeed signs of a more belligerent attitude in Bonn on the question of EEC steel policy may be the beginning of such a switch of emphasis.

In economic terms too, of course, the diminishing trade surplus and huge current account deficit are having a profound, and now clearly negative impact. They have undoubtedly become important factors contributing to the weakness of the D-mark and therefore to early signs of imported inflation. The need to counter these problems has in turn led to a high interest rate monetary policy by the Bundesbank which is threatening the very capital investment programmes which are needed to improve energy efficiency and all-round productivity in the industrial sector.

In domestic markets the doubling in a single year of the Japanese share of the German car market from 5.6 per cent to 10.4 per cent, and the deepening penetration by other Japanese consumer and increasingly, investment goods such as numerically controlled machine tools are developments which have caught public attention. Over a longer time span too the trend towards increasing imports of finished goods is apparent. Thus in 1970 imports of finished products accounted for about 41 per cent of German imports excluding oil; by 1980 they had risen to 55 per cent of imports excluding oil.

The Berlin-based German Economic Research Institute recently drew attention to the rising market share of foreign goods in such investment sectors as precision engineering products, electrical and electronics equipment and automotive products. It said that in the 1970s imports of such investment goods had increased rapidly in spite of relatively weak investment trends domestically. The Institute estimated that the market share of imports in the capital goods manufacturing industry increased from 5.6 per cent to 12.4 per cent between 1962 and 1977. In the consumer goods manufacturing sector the market share rose from 6.6 per cent to 16.9 per cent, the Institute estimated.

There are clearly many factors which are accounting for these trends, and not all of them necessarily reflect badly on the performance of the German economy. Increasing international specialisation in trade would itself tend to lead in this direction. But there is a fear that in part these developments reflect a decline in the international competitiveness of German products.

Speed

Statistics show that in overall terms Germany's export performance is still strong. That it has not been strong enough to offset the increased cost of oil imports and the rising deficit on the services and transfers sides (particularly as a result of the Germans' phenomenal propensity to take holidays abroad) is in part a reflection of the speed with which these factors have had an impact.

Clearly a reduction in amounts spent on foreign travel and a shift in domestic energy policy could and should contribute to an improvement in the overall situation. A recovery in the economic performance of some of Germany's trading partners, lower German imports as a result of a weaker home economy and improved export prospects as a result of the decline in the value of the mark could also be expected to work favourably.

But the easy assumption that as in the wake of the 1973 oil price shock so today Germany's external position will quickly and automatically correct itself (an assumption which was prevalent in official circles even a few months ago) seems to be disappearing. In the longer term that perhaps is the most encouraging sign for the future.

Pressure on unions at bargaining table

LABOUR

STEWART FLEMING

THE PEACEFUL industrial relations West Germany has enjoyed in the post-war period is widely, and almost certainly accurately, identified as one of the principal factors behind the successful reconstruction of the Federal Republic's economy and the country's emergence as a world economic power.

But today trade unionists complain that from many directions the interests of labour in general and of the trade unions in particular are being challenged.

On the political front the Social Democratic Party (SDP) which has historical links with the trade union movement, has been outmanoeuvred by its coalition partners in the Government and has been forced to accept a compromise on the future development of co-determination in the steel and coal industries which union leaders find humiliating. Moreover, the SPD — although the dominant party in the governing coalition — is being torn by internal disputes and can no longer be counted on as a reliable partner for the unions.

Labour's problems in the economic sphere are even more apparent. Without question the German economy at the beginning of this decade is facing its most difficult period of adjustment for a generation. The combination of a growing reverse currency role at a time of increasing international financial interdependence, soaring oil prices, a huge current account deficit and intensifying competition in world markets has meant that Germany is no longer able to float serenely over the troubled waters of the world economy borne along by the power of the rising international value of its currency.

The currency has instead been sinking, exacerbating the current account deficit and threatening to set off an externally generated cost/price spiral at home.

The impact that has had on the interests of German labour are immediately apparent. On the one hand the West German central bank, the Bundesbank, has been forced to maintain a high interest rate regime for months, and recently intensify it, even though unemployment has hit a five-year high.

In Bonn a Government which has already been knocked off its planned borrowing targets for 1981 is having to turn a deaf ear to Labour's appeals for Government spending to support the economy, even though the appeals are being carefully formulated in terms of expenditure to promote investment for the future and not inflationary consumption today.

Meanwhile, at the bargaining table as this year's winter wage round was coming to a head at the end of February it was apparent that the weak economic conditions, the pressure on corporate profits and unease about the outlook for productivity and growth had combined to stiffen employers' resolve not to concede wage increases which could be interpreted in any way as generous, and if possible to hold the overall gains to below the level of anticipated 1981 inflation. Thus of perhaps 5½ per cent in the metal industry the country's biggest union, IG Metall, found itself facing an offer of 2½ per cent against its own demand of an 8 per cent rise.

Principles

For the unions as well as for the employers some critical principles were at stake in this year's wage round. Union leaders, many of whom were involved in the founding of the Federal Republic after the war and helped create the socially responsible union mentality that has prevailed since then, have been under increasing internal pressure to put a higher priority on the interests of the workers they represent.

If they were to concede at this stage the principle that a wage round could result in the possibility of a decline in the real income of their members their authority would be further weakened.

The more militant mood within the unions is not just a reflection of the changing age structure of the leadership, however, union officials complain that in the 1970s, while labour could boast of its contribution to the reformist legislation being passed in Bonn—such as the 1976 co-determination law or the 1972 legislation providing for works councils with stronger influence—within the factories labour relations were *visibly deteriorating*.

One IG Metall official recently commented on what he saw as the serious deterioration in in labour relations during the past decade at national as well as plant level, and the sharpening of labour management conflict. He cited not only the increasing frequency of strikes during collective bargaining in comparison with the more placid 1960s, but also the increasing frequency of shop-floor complaints and disputes. The failure of management to approach safety and job security issues more flexibly, inadequate management attention to labour calls for the "humanising" of the work-day routine were, he suggested, all factors contributing to the changing mood.

Others would argue that such a change in atmosphere was perhaps inevitable as the post-war reconstruction period drifted further back into the past and a new generation, for whom material prosperity was an automatic right, began to play a greater role in the nation's factories. It is recognition of these changing social attitudes which has raised questions about whether the German worker today is as dedicated and productive as his post-war predecessor.

But it is not just with their eyes turned to the past that union officials wonder about the atmosphere of labour relations.

Looking ahead into the 1980s, and beyond the difficult period which clearly lies ahead this year, they fear that increasing mechanisation, and the search for improved productivity—the application of micro-electronically controlled robots to the production line, for example—threaten to increase unemployment and perhaps result in even less satisfying working conditions. "The problems of the 1980s will be harder," is how one union official summed it up.

As they adjust to this prospect union leaders will have to sort out their own priorities and decide whether the choices, political and economic, and the practices of the past will be as effective in the future. Already some believe that one change is badly needed—and that is towards greater emphasis on the needs of members and less on the needs of the nation. "God helps those who help themselves" was how one put it.

Nuclear row reveals lack of coherent policy

ENERGY

KEVIN DONE

WHILE GERMANY'S economy was booming the Government could afford to buy off its energy problems. The money was still available to meet the higher oil bills and, expressed in appreciating Deutsche Marks, the sums were not so frightening.

But with a suddenness that has taken the country's political leaders by surprise, the apparent lack of a coherent energy policy to counter the country's overwhelming dependence on imported oil has been exposed as one of the major structural weaknesses threatening the country's economic development in the 1980s.

It is true that oil consumption is falling—partly as a result of energy saving measures but perhaps chiefly on account of declining industrial activity—that domestic coal production is again rising slightly after years of decline, and that possible sources of additional natural gas are opening up in the Soviet Union, Norway, Nigeria and the Middle East, albeit involving major political risks.

However, with few natural resources of its own to fall back on, West Germany appears to have only one path to follow to lower its dependence on imported energy, whether it is oil, gas or coal, and that is nuclear power. The uranium might have to be imported, but such a path would bring welcome relief in the long term to the strained current account of the balance of payments.

The country's nuclear policy is in disarray, however, and the resulting confusion is at least one important factor behind the current weakness of the D-Mark.

At Federal Government level most of the criticism for the failure to push through a convincing nuclear policy has been heaped on the ruling Social Democratic-Free Democrat coalition, but the socialists and liberals are not alone in their divisions and uncertainties. At least at the level of the regional Land (provincials state) governments, where they hold power in a majority of states, the conservative Christian Democrats have often been equally unwilling to sanction nuclear developments on their own doorstep.

Search

West Germany is a densely-populated country — with a larger population than France it has less than half the geographical area—and the search for possible sites for nuclear plant is correspondingly desperate. But above all, the pursuit of nuclear power has been held up by a resolute, well-organised anti-nuclear lobby, whose attempts to stop the building of the planned nuclear power plant at Brokdorf in Schleswig-Holstein have become a symbol of the nuclear opposition.

At local level the Social Democrats have also come out firmly in favour of at least postponing the building of Brokdorf for three years pending further investigations about the problem of nuclear waste.

The CDU Government in Schleswig-Holstein and the SPD/FDP Federal Government coalition in Bonn on the other hand are firmy supporting the further development of Brokdorf, moves which led to the latest mass protest at the site two weeks ago despite a ban on demonstrations in the area ordered by local courts.

In spite of these problems some nuclear power plants have been built in Germany. By the end of last year 10 commercial and four pilot reactors were in operation, with a total generating capacity of 9,062 MW.

Nuclear energy provided only 3.6 per cent of primary energy consumption in the Federal Republic last year, however, and its targets for the next two decades are decidedly modest especially compared with its neighbour France, whose unquestioning dedication to nuclear power contrasts sharply with Germany's indecision.

West Germany has established an extraordinarily complex licensing system under its atomic energy law involving myriad agencies at both federal and state levels, which give wide scope for conflicting administrative decisions and resulting appeals to the courts.

Since 1974 Germany's originally-planned ambitious nuclear power installation programme of 50,000 MW by 1985 has been considerably reduced. More than half of that programme has been deferred for completion by the year 2000, but even the minimum 20,000 MW now planned for 1985 is delayed by court actions and administrative postponments. Its realisation on time is virtually impossible. Eleven nuclear power stations, to produce about 12,000 MW, are under some form of construction but most are running well behind schedule.

The completion of these power stations and decisions to go ahead with further plants and the construction of nuclear re-processing facilities will only change Germany's energy picture slowly over the long-term. As an issue, however, nuclear policy has become of major importance in the short-term in political terms. The way Bonn chooses to resolve it will be taken as a major signpost to West Germany's ability to cope with the many other structural industrial problems it is facing in the 1980s.

Demand

For the moment the Federal Republic continues to be dependent for almost 48 per cent of its total energy needs on oil—a reduction from the all-time peak of 55.4 per cent in 1972—which last year left it paying a bill of no less than DM 65bn ($30m). Oil demand did fall by 10.5 per cent last year alongside a 4 per cent overall decline in primary energy consumption, but despite the drop in oil use the oil bill has more than doubled since 1978.

A further, more modest fall in oil consumption is expected this year, but again with rising crude oil prices and a weak D-Mark the oil bill is expected to total at least DM 75bn, a 15 per cent increase on 1980, and a major added burden for the current account of the balance of payments.

In terms of physical supply the Federal Republic has managed to smooth over most threats to its oil deliveries and at the same time it has done much to move its dependence away from suppliers in OPEC to sources closer to home—the UK and Norway.

The British sector of the North Sea emerged last year as West Germany's second largest supplier of crude oil, accounting for 15.6 per cent of the Federal Republic's crude oil imports with supplies of 15.2m tonnes. The UK pushed Libya into third place and was exceeded only by Saudi Arabia, which supplied 24.2m tonnes or 24.9 per cent of total crude oil imports.

West Germany has a small amount of domestic crude oil production, but it is only enough to meet less than 5 per cent of the country's oil requirements.

Domestic natural gas production is more successful, meeting 34 per cent of German requirements, but again there is little chance of increasing output. In all, natural gas meets 16.5 per cent of West Germany's energy needs with about 60bn cubic metres a year, of which two-thirds is imported. Of total supplies about 16 per cent comes from the Soviet Union, 12 per cent from the Norwegian sector of the North Sea and 38 per cent from the Netherlands.

The German gas industry is pursuing long-term plans for increasing gas supplies to 83bn cubic metres a year by 1990—enough to meet as much as 18 per cent of the country's primary energy needs—but it is still not clear where the additional supplies will come from. Amibitious import schemes involving gas from Iran and liquefied natural gas from Algeria have had to be abandoned and attention is being turned instead to the Soviet Union, Norway, Nigeria and the Middle East, especially Qatar.

Negotiations

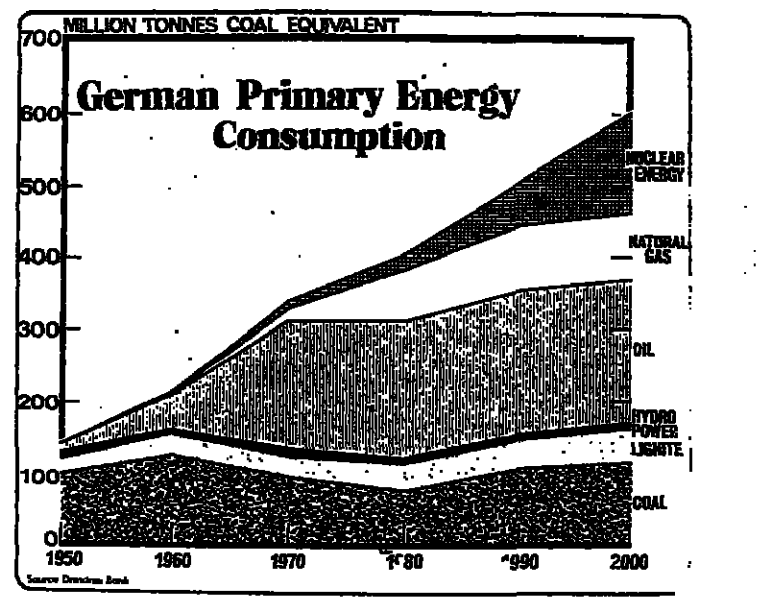
Together with the banks and West German pipeline and equipment manufacturers, the gas industry is deeply involved in negotiations with the Soviet Union over a massive DM 20bn scheme to bring 40bn cubic metres of natural gas a year to Western Europe starting in the mid-1980s. About 12bn cubic metres a year would be destined for the Federal Republic.

If the scheme is completed—the German gas industry is counting on contracts being signed by the summer—it will be the biggest-ever East/West trade deal. In the process it will increase West German dependence on the Soviet Union to the point where Moscow will be providing about 30 per cent of Germany's gas needs.

The Government has said it does not feel that this is a dangerous level of dependence, but the deal has aroused considerable political disquiet, not least in Washington. In addition, German banks are still far from satisfied that Moscow is ready to pay sufficiently high interests rates to allow them to go ahead with the proposed DM 10bn credit. The loan would finance German supplies of pipes and pipeline equipment for the gas trunk line that would stretch 5,500 kms from the Yamal peninsular in Western Siberia to Western Europe.

West Germany's one major energy resource is coal. Hard coal accounted for 19.7 per cent of total energy consumption in 1980, while brown coal, lignite, provided another 9.9 per cen[t] of energy requiremen[ts]. German hard coal product[ion] totalled 87.8m tonnes in 19[80], a marginal increase over t[he] 87.2m tonnes of 1979.

In 1979 coal industry [aid] totalled DM 6.3bn in vario[us] forms of assistance and, with [a] tightening Federal Budget, [the] Government is becoming [in]creasingly concerned about [the] problems of meeting its ev[er] growing financial commitm[ents] to the coal industry.



TOP TEN WEST GERMAN COMPANIES (1979)

	Turnover (DM bn)	After-tax-profits (DM m)	Workforce (end 1979)
Veba	36.6	554	81,429
Siemens*	31.9	633	344,000
Volkswagen	30.7	667	239,714
Daimler-Benz	29.8§	638	174,431
BASF	28.0	619	117,168
Hoechst	27.1	650	182,688
Thyssen*	27.1	117	152,089
Bayer	26.0	435	63,041
Deutsche BP	22.1	198	9,946
Ruhrkohle	16.2	138‡	134,216

* Year 1979-80 to end-September, 1980.
§ Gross turnover including sales tax.
‡ Parent company domestic surplus.

A tougher approach to doing business

BANKS

STEWART FLEMING

"IT'S GOING to mean tougher terms for our customers," is how one senior Frankfurt banker sums up the implications for the banks' corporate clients of the more profit-conscious mood which has swept into the banks' boardrooms.

Last year many of the major banks suffered one of the sharpest declines in profitability they could remember. For the first time since the 1939-45 War two of the biggest commercial banks decided that they could not justify maintaining their dividend payments to their shareholders, and one of them, Commerzbank, decided it could not pay a dividend at all.

The result of this unhappy experience has been that the banks are turning a much more critical eye on their own methods of doing business. There are already reports that some are beginning to try to demand commitment fees even from their more credit-worthy customers, and in the past few weeks, as money market interest rates in Frankfurt have risen sharply, the banks have been quick to raise their lending charges sharply.

Even corporations are having to pay 13½-14 per cent for short-term floating rate funds, compared with 11½ per cent through the latter half of last year.

Competitive

It is still far from clear what the long term implications of the banks' greater profit consciousness are. The German banking market is one of the most competitive in the industrialised world and much as the bankers themselves would like to be able to force through changes in loan terms, which would make their business more profitable, a lingering doubt remains.

When conditions in the financial markets return to something approaching what can be described as "normal" will these competitive pressures reassert themselves again as they did in 1975, and result in loan terms again being offered which do not take sufficient account of the risks, particularly the interest rate risks, which lie ahead?

The predicament of the German banking industry, and the adverse trend in profits it suffered last year (of the top banks it is thought that only the largest, Deutsche Bank, will have increased its profits significantly in 1980) is something which German industry needs to concern itself with.

For the German banking sector has played a dominant role in the revitalisation of German industry in the past 30 years, and changes in its business policies are bound to have an impact on the corporations which depend on bank finance.

The importance of the banking sector for industry can be looked at in several different ways. As universal banks the German banking corporations not only lend their corporate customers money, they also trade in their shares, advise them on financing and often have large direct shareholdings of their own in these corporations.

Thus the report by the Government sponsored commission on the banking industry headed by Professor Ernest Gessler and released in 1979, concluded that the 336 credit institutions it surveyed held 662 individual stakes in non banks. Some 285 of these holdings were of between 25 and 50 per cent of the equity, and included bank holdings in such major German corporations as Daimler-Benz, Preussag and Metallgesellschaft. the nominal value of the 662 individual holdings was DM 3.6bn. In addition, however, the banks had loans and loan commitments to these companies of DM 14bn, and of course bankers are normally well represented on the supervisory boards.

It was in part accusations that these ties between industry and the banks give the banks too much power that led to the Gessler Commission inquiry. The banks themselves defend the links, which date back in many cases to the depression years of the 1930s, partly on the grounds that as a result the bankers have a much better understanding of their customers' needs.

The banks, however, have come under some political pressure to reduce their holdings. This is hard to do because there are not always ready and acceptable buyers for such big investments.

The pressure on the banks' profits and their need to build their capital bases, have been important factors which have led to a number of banks, Dresdner and Commerzbank in particular, raising several hundred million marks through sales of part of their holdings in three large corporations—Hochtief, Kaufhof and Metallgesellschaft—in the past few months.

The financial pressures on the banks have much more general implications for industry, however. With no active corporate industrial bond market, with a depressed stock market supplying only a small proportion of the corporate sector's financing requirements (in 1979 DM 6.5bn out of net external financing of DM 100bn) and with the German corporate sector's equity base so narrow in comparison with say the U.S. or Britain, bank finance is the critical component of the corporate balance sheet.

In the second half of the 1970s this corporate dependence on bank finance worked in industry's favour. Heavy competition between banks resulted in banks beginning to make fixed interest loans, sometimes for ten or more years, loans which as rates have risen sharply in the past two years represent cheap finance to the companies and losses to the banks.

It is now clear that the banks are hoping to avoid making the same mistake again. This means that they will seek to adjust their financing terms to avoid such risks in future. That may in turn lead in future to more expensive credit for the companies.

Tasks

The most worrying short-term implication of the current combination of high real interest rates, more profit-conscious banks and a corporate sector heavily dependent on bank finance is for investment. In a report published in November on corporate financing, the Bundesbank, the West German Central bank, said: "A further improvement in the capital base of German industry, which is relatively weak by international standards, is indispensable in view of the immense tasks lying ahead which will require heavy investment."

To underline the point, the West German mechanical engineering industry, the single most important industrial sector in the Federal Republic, warned earlier this month that rising interest rates were weakening industry's ability to maintain or increase its capital spending. The question is will those companies outside the ranks of those large concerns with big cash reserves be willing to maintain their capital spending plans at a time of declining corporate profits resulting from the economic recession and high financing costs? Will the banks, with their concern about their profitability, begin to take a more cautious attitude to lending to companies with relatively weak capital ratios? And to what extent will the companies have to adjust their dividend policies to improve their internal financing and if so what would be the implication of this for raising new equity?

Much depends, of course, on the economic outlook. If interest rates begin to ease in the second half of the year and the economy to pick up then the pressures will ease. But it is no surprise that evidence of growing anxiety in industry should now be surfacing.

WEST GERMAN INDUSTRY IV

Imports hit market

MORE WEST GERMANS than ever before are buying foreign cars and the surge of imports—chiefly from Japan — is forcing domestic manufacturers to take drastic action to halt falling sales.

The German automobile industry — a central pillar of the economy supporting directly or indirectly every seventh job — is facing its stiffest challenge for several years. It has been forced out of its complacency, which even as late as a year ago allowed industry leaders to maintain that German products were in little danger because their superior quality and technology still gave them a decided edge over imported cars.

In fact, the manufacturers had misread the market. The result last year was that at a time when both production and new car sales overall were falling sharply, imported cars managed to push up their share to 28 per cent compared with only 24 per cent in 1979.

Japanese car makers doubled their share of the West German car market to 10.4 per cent, selling 252,000 cars compared with 148,000 a year earlier. And France, traditionally the leading importer, was forced into second place.

With the notable exception of Daimler-Benz, all the German car makers saw their shares of the home market fall and hopes that production would be maintained by continuing high demand in export markets have not been fulfilled.

CARS and TRUCKS

Overall, new car sales in West Germany fell by 7.5 per cent last year to 2,426,000 units while production fell by fully 10.5 per cent to 3,521,000.

At the same time exports weakened in the second half of the year as recession began to bite in other important foreign markets and for the year as a whole car exports declined by 6.2 per cent to 1.8m.

In the face of these difficulties the volume car makers, Opel, Ford and Volkswagen have been driven to take a series of sales initiatives to try to hold their market shares. Ford, which suffered particularly badly last year with domestic sales dropping to 252,000 compared with 312,000 in 1979, started the offensive with a number of improvements to model specifications without corresponding price rises.

Early this year Opel, the West German subsidiary of General Motors of the U.S., took the industry by surprise by announcing a series of price cuts across much of its range, and Volkswagen has joined the fight by introducing new energy-saving improvements to nearly all its models.

The sales decline hit hardest at Opel and Ford and both manufacturers were forced to shed about 6,000 jobs last year, largely through voluntary redundancy and early retirement schemes. The number of workers in the industry on short-time working is now falling, but as many as 38,000 were still affected in February. In January the figure went as high as 78,900.

Manufacturers have been able to take some solace over recent difficult months from the performance of the commercial vehicles sector, which was sustained for much of last year by the continuing high level of investment by German industry in capital goods. Production in 1980 reached a new record level of almost 357,500 vehicles, an increase of 12.7 per cent, and rising exports also played a major role with particular success being achieved with the sale of heavier trucks outside the European market.

The German commercial vehicles manufacturers are also stepping up their drive into foreign markets, however, with particular attention now being paid to the U.S. After several months of on-off negotiations Daimler-Benz announced recently that it is to buy the Freightliner truck operations of Consolidated Freightways in the U.S. for about $225m.

This major step will give it overnight a share of some 9 per cent in the U.S. market for trucks of 15 tonnes and above.

With exports accounting for 54 per cent of production the German motor vehicle makers are still enjoying considerable success in foreign markets, and it is an export percentage that even the Japanese are only now starting to match.

Kevin Done

MOTOR VEHICLE EXPORTS

('000)

	Cars		Commercial vehicles	
	1979	1980	1979	1980
Japan	3,102	3,947	1,461	2,019
West Germany	1,997	1,873	178	211
France	1,698	1,530	162	178
Canada	651	580	387	300
U.S.	793	650	255	180
Italy	647	525	78	79
UK	410	359	141	122
Spain	424	510	38	40

Source: West German Motor Industry Federation.

Weakening demand

THE PICTURE the electrical engineering industry presents in Germany today is a mixed one both in terms of its recent performance and its prospects for the future.

For example, Siemens a major company and an international giant with an annual turnover of about DM 32bn ($15bn) clearly has the range of products and depth of research to compete successfully in international markets for a wide variety of equipment. Its range covers such markets as those for electricity generating equipment including nuclear power plants, and modern telecommunications and data processing plant, two sectors expected to be among the fastest growing in world markets.

However, even Siemens seems to be facing some short-term difficulties which it must overcome if it is to fully realise its potential. The group has just reported its second consecutive year of lower earnings and third successive year of narrowing profit margins.

In comparison with Siemens the problems facing AEG-Telefunken, the other leading German electrical engineering company, are of an altogether different order. In 1980 AEG's bankers had to rescue the company from imminent bankruptcy and now, under a new top management, it faces the massive task of transforming itself into a solid and profitable concern.

The industry's consumer goods sector has been weak domestically and, with unemployment rising along with consumer borrowing costs, there is not much optimism about an early upturn here either.

ELECTRICAL GOODS

But it is not just the swings of the economic cycle which are presenting challenges. Japanese and other Far East competitors have already established a solid beachhead in several key sectors of the home entertainment electronics markets, with Japanese imports, for example, commanding about 10 per cent of the colour TV market overall.

Weakening demand and competitive pressures have made their mark on the performance of companies such as Grundig, which has had to undertake a rationalisation programme, including plant closures.

In the first half of last year imports of video-cassette recorders from Japan doubled to 172,000.

While Siemens is pre-eminent among German companies in the telecommunications markets and is a world leader, it is not alone in the data processing business. Nixdorf is a dynamic competitor in the office computer market—where Volkswagen is putting its muscle behind the development of Triumph-Adler, of which it acquired control in 1979.

Now Mannesmann, the big engineering concern, has also moved into the data processing field with the purchase of a 50 per cent stake in Kienzle.

The German computer manufacturers, led by Siemens, have pushed up their share of the domestic market from about 5 per cent at the beginning of the 1960s to more than 20 per cent today—the market leader of course is IBM with over 55 per cent. It is clear, moreover, that competition will continue to be fierce in a market which experienced a 10 per cent growth last year and is expected to repeat this performance in 1981.

Stewart Fleming

A fight against costs

WEST GERMANY'S chemicals industry, the biggest in Western Europe and the largest exporter and importer of chemicals in the world, is gloomy about its prospects in 1981. After the glittering success of 1979, the best year of the decade for German chemicals companies, 1980 failed by far to live up to expectations.

In place of the modest growth predicted, output fell into rapid decline after a powerful surge in the first quarter raised chemicals manufacturers into believing that the previous year's boom could perhaps be continued. The gathering recession and fierce competition in world markets has cut a broad swathe through the financial performance of the sector.

The German chemicals industry with its wide spread of interests and operations around the world is better placed than most of its rivals to live with economic downturns in its home market. In the shape of Hoechst, Bayer and BASF it includes the three largest chemicals companies in the world and some, such as Bayer, derive no less than 70 per cent of their turnover from foreign markets. But even the big three chemicals groups' performance begins to suffer when a recession in important customer industries coincides in so many major markets.

After experiencing a fall of 4 per cent in production in 1980, the chemicals industry expects this year to barely out-perform the general West German economy, which itself is hovering dangerously close to recession. Most companies have seen their profits slide dramatically in the second half of the year as production was cut back to cope with falling demand, and short-time working has been introduced at a number of companies.

Last month short time working was still affecting almost 20,000 workers in the industry and in the hardest-hit areas of the industry, such as synthetic fibres, companies have been forced to plan the closure of plants with the loss of hundreds of jobs.

According to Enka, one of the largest West German synthetic fibres companies, which itself ran up losses of about DM 180m ($84.2m) in its main problem production areas, the losses of the West European synthetic fibres industry last year totalled about DM 2.5bn. It is calling for a cut in production capacity in Western Europe of as much as 600,000 tonnes a year to bring capacity more in line with expected demand.

In the first 11 months last year the U.S. increased its chemicals exports to West Germany by some 19.4 per cent to DM 2.28bn, while West German chemicals exports to the U.S. moved up only marginally by 3.6 per cent to DM 1.69bn.

CHEMICALS

The West German chemicals industry did manage a nominal increase in sales of about 5 per cent to DM 108bn last year, but this was due solely to price increases, which passed on in part the higher costs of energy and raw materials. The German chemicals manufacturing price index rose by 8 per cent last year, but this fell well behind cost increases.

In addition natural gas prices to the chemicals industry — natural gas is a feedstock for key products such as nitrogen and ammonia — rose by about 50 per cent last year adding a further DM 500m costs and power prices increased by around 12 per cent. UK chemicals companies, such as Imperial Chemical Industries, may claim that their German rivals obtain electricity for about half the UK price level, but the Germans look across the border to France for their comparisons and feel equally aggrieved that their French competitors enjoy power prices said to be 25 per cent below German levels.

Apart from the rising costs of energy and feedstocks, the other major problem hitting the chemical industry's profitability is falling output. After strong growth in the first quarter of 1980, production fell steadily from April onwards. The main drop has come in organic chemicals where output last year was down by about 11.7 per cent and production of ethylene—the most important basic petrochemical which is used in a wide range of chemicals products including plastics, fibres and paints—dropped by 13.1 per cent in the first 11 months of 1980 to only 2.8m tonnes compared with 3.2m tonnes in the same period of 1979.

Products that are not so immediately affected by the trade cycle, such as crop protection chemicals and fertilisers, and consumer products, have not been as hard hit by the downturn in the general fortunes of the industry. Some areas, such as pharmaceuticals, have managed further modest growth. The output of drugs increased by 6.7 per cent in the first nine months of 1980—the latest figures available—to DM 11.09bn boosted by a 12 per cent rise in exports, which are now accounting for about 37 per cent of production.

In addition to high R and D spending, the West German chemicals industry has also been investing large sums in capital expenditure, which this year is expected to come close to last year's total of DM 7bn compared with DM 6bn in 1979.

It remains too, however, the world's largest chemicals exporter, selling products worth DM 47bn in foreign markets last year, an increase of 7 per cent on 1979. At the same time chemicals imports rose by about 10 per cent to DM 26.5bn. Its major markets remain the larger EEC countries and Switzerland, but chemicals worth more than DM 6bn a year are also shipped to the Eastern bloc, Japan and the U.S.

Kevin Done

WEST GERMAN INDUSTRY V

No room for complacency

THE MECHANICAL engineering sector could long stake a fair claim to being the flagship of West Germany's industrial and export success. High technical standards, thorough workmanship and reliable delivery won admiration—and, more important, buyers—for German engineering products the world over.

A few figures illustrate the importance of this sector to the economy as a whole. It employs more than 14 per cent of the country's industrial workers, accounts for about 11 per cent of its total turnover and close to 18 per cent of its foreign sales.

German mechanical engineering companies now export well over 50 per cent of their production against less than 40 per cent at the start of the 1960s, and without that effort the country's balance of payments *would be in a sorry state* indeed. Last year, engineering product exports were worth DM 63.1bn ($29.5bn) and imports DM 22.3bn. The surplus of DM 40.8bn in this sector alone compares with one *of only* DM 9.1bn for all West German visible trade last year. Little wonder that the West Germans rank as the world's top engineering exporters—just in front of the Americans.

But there are no grounds for complacency. While exports of engineering products rose by about 7 per cent in real terms last year, imports increased nearly twice as quickly

Japanese imports are increasing particularly sharply, making inroads not simply because of their competitive price but also through their high technological level. Indeed, one leading West German manufacturer, irritated by continued suggestions that the Japanese were succeeding with low-price, but also low-quality products, *has deliberately installed* (excellent) Japanese machine tools on the shop floor to show his workforce the kind of fierce competition they are up against.

It is a similar tale on the world market. Comparative figures for the end of 1978 show West Germany with a share of 23.5 per cent of the Western world's engineering exports, *followed* by the U.S. with 21.8 per cent and Japan with 11.6 per cent. But while the German share has very slightly fallen from 24 per cent in 1970, that of the Japanese has almost doubled from 6.3 per cent over *the same period.*

MECHANICAL ENGINEERING

The structure of the German mechanical engineering industry is both a help and a hindrance in meeting this foreign challenge. For one thing, the sector is very largely made up *of small* and medium-sized concerns—about 8,000 of them employing, in all more than 1m people. *Naturally* there are giants like Gutehoffnungshuette (GHH), Europe's biggest engineering group with annual sales of more than DM 15bn. But even in this case GHH's constituent companies have much managerial autonomy so that considerable flexibility is maintained.

It is this flexibility of the medium-sized business — the ability to react quickly to market changes and to put the results of research work speedily into practice—which has buoyed the German engineering sector for many years.

But against that are weaknesses not so readily visible. Even in 1979 when the engineering industry was working at a high level of capacity (more than 85 per cent), the average profit-sales ratio was under 2 per cent.

Further, the level of borrowed funds is high by comparison with that of many American and British enterprises. True, this is a problem for much of German industry—not engineering alone. But it is a particular burden for medium-sized concerns, which form the backbone of the engineering sector and which do not have the fairly ready access to funds which the biggest companies enjoy.

The gloomy outlook for the engineering sector this year is thus a production cut of about 4 per cent in real terms compared with the 1980 level — combined with heavy financing costs. However, that clearly does not mean that all engineering sectors will do badly. Buoyant performances are likely, above all, from manufacturers of energy savings and energy substitution products. And looking further ahead, West German industry is expecting an annual average increase in sales of more that 3 per cent and an investment quota (as a percentage of sales) of more than 4 per cent.

Jonathan Carr

WEST GERMAN MECHANICAL ENGINEERING

	Unit	1979	1980	% change (real) 1979-80
Turnover (including trade goods)	DM m	110.7	121.8	+ 5
Production	1970=100	106.6	111.5	+ 5
Exports	DM m	56.3	63.1	+ 7
Imports	DM m	19.1	22.4	+12
New Orders	1976=100	125	128	0
Domestic	1976=100	129	127	− 5
Foreign	1976=100	121	131	+ 5
Productivity (output per hour worked)	1970=100	146.8	153.6	+ 4.6
Capacity in use	%	86.8	84.9	

Producers seek voluntary cartel

STEEL IS to Germany what the fishing industry is to Britain and the farmers are to France. That recent *comment* by Count Otto Lambsdorff, West German Economics Minister, comes close to describing the unusually important role—and vital symbolic significance—of the steel sector.

It explains too the remarkably sharp reaction of the Bonn government and the country's steel producers who claim the German market is being flooded with cheap imports. Count Lambsdorff, under pressure from the German producers, has threatened to impose compensatory levies on subsidised EEC imports—a move that would hit at the very roots of the European Community and run counter to Bonn's passionate commitment to the free market.

The fact is that in a contest of national priorities, the longstanding commitment to the steel industry; which has always been regarded as a flagship of the German economy and German nationhood, is likely to endure.

Is the flagship now under threat? Certainly it has been in troubled waters over the past five years but it is difficult to think of a European producer *that has not had to weather the* same structural crisis. In the German view, the difference is that its main European rivals are so heavily subsidised—DM30bn ($14bn) in the five or six crisis years—that however efficient they become it is impossible to compete. The talk on the market is of a merger among the Ruhr steel companies because of the pressure.

Hence the demand by Dr. Dieter Spethmann, head of Thyssen, Europe's largest private steel concern, that Bonn impose compensation levies at the German border. Dr. Spethmann, who is chairman of the German Iron and Steel Federation, calculates that on average European steel exports to Germany are subsidised to the tune of DM 100 a tonne—a level that could not possibly be bridged by German producers.

At present European imports account for about 25 per cent of German steel consumption, while non-EEC imports contribute 11 per cent. The fear is that the European share could rise rapidly if the market deteriorates again into a price-cutting war, in which only the *heavily-subsidised producers will* survive and the others (though fundamentally more efficient) will be driven to the wall.

That is why German producers support the urgent establishment of a voluntary cartel — Eurofer Two — to replace the present strict compulsory production quotas imposed by the EEC Commission last year and which run out in June.

STEEL

Many German producers are in a financially precarious state. Hoesch, for example, found it difficult to raise DM 250m from the banks last year when it announced plans to modernise its steel works—and a price war will bite hard, wiping out the price-firming benefits of the compulsory quotas.

Necessity then has consistently driven the German steel industry to compromise its free market principles.

One by one German producers have turned to Bonn for covert forms of subsidy themselves. *Hoesch managed to raise its* DM 250m through cheap loans from the Research Ministry (because a move away from open hearth furnaces represented "modernisation") and the local state government grants became available to allow steel companies to meet environmental controls (for blast furnace filters for example).

These subsidies are small fry compared to the funds available to the British Steel corporation or Finsider of Italy but it is surely a sign of the German producers' path to Damascus when Dr. Spethmann says that he could no longer rule out the possibility of Thyssen seeking government assistance.

To foreigners, it seems a troubled zig-zag course that the German steel industry is pursuing. Do the producers want subsidies or do they not? Do they want some form of cartel or not—voluntary or compulsory? Yet there is an internal consistency in their philosophy. In a world where subsidies are clearly controllable, where subsidies are condemned, market distortions will fade away and the industry will be able to adjust production to demand, *innovate more rapidly and plan* ahead more effectively.

The short-term goal is thus to neutralise the effects of subsidised competition—even if this means the temporary aberration of import levies — and long-term to dismantle subsidies completely. Cartels, in this framework, are simply a staging post on this rocky road.

But there are still a number of hurdles to be crossed if the German steel industry is to come out of the crisis relatively intact. One is to open a proper dialogue with the large steel customers—especially the motor industry — about their future requirements.

Secondly, the unions have to be drawn more thoughtfully into discussions on rationalisation, labour-saving technology and decisions to invest in cheap-labour countries. And, thirdly, the industry must establish a more trusting relationship with the banks.

Roger Boyes

DIVERSIFICATION IN THE GERMAN STEEL INDUSTRY (1979 FIGURES)

	Steel output (m tonnes)	Turnover (DMbn)	Steel as % of turnover
Thyssen	11.6	25.4	31
Hoesch	6.5	7.0	45
Krupp	5.4	12.8	41
Kloekner	5.0	5.0	60
Salzgitter	4.3	7.2	34
Mannesmann	3.5	12.5	16
Roechling Burbach	3.3	3.0	85
Korf	1.3	2.3	61

Re-think on innovation

GERMAN RESEARCH planners are wondering how they can encourage innovation and long-term research spending in industry at a time when profits are plunging and day-to-day survival is the most pressing priority.

Hard times are forcing Bonn to re-think completely its attitude to industrial innovation. There seem to be three main schools of thought on the subject. Dr. Andreas von Buelow, the new research and technology Minister, believes that given limited federal resources, industry should become more closely involved in the funding of large projects, such as nuclear fast breeders, if necessary through the implementation of a special research tax. At the same time, Bonn should *concentrate on smaller projects* and on basic research in the universities and institutes.

The second view on research spending, held by the Christian Democrat Opposition and by *various business federations*, is that the Government should largely withdraw from direct assistance of industrial research and focus on indirect aid. This could be achieved by a comprehensive scheme of investment incentives and tax relief available to both large and small concerns.

RESEARCH

The third line of thought on Bonn's future research policy is that R and D support should be extended to industries even when innovation is not involved. If a company such as Hoesch, the steel concern, cannot obtain bank credits to modernise and make itself *more competitive*, then the Research Ministry should step in and provide cheap loans.

This last approach, subscribed to by Dr. Volker Hauff, the former Research Minister, is implicitly rejected by Dr. Von Buelow, the new Minister and explicitly by the CDU. Bonn's Research Ministry funds, it is now believed, should not be used as a way of compensating companies for bad management decisions — the loan to Hoesch for example was intended for the conversion of open-hearth furnaces, a move carried out by other German steel producers about six years previously at their own expense.

Yet there seems to be a case for not just concentrating funds on innovation but also allotting some to companies intent on adjusting to changed market conditions, a more retrospective type of investment. It is above all the effect of Japanese competition that has driven this aspect home—there is an ever-extending roll-call of German industries that were once world leaders in their fields and that are now totally weakened by Japanese and other competitors.

The German motorcycle, hi-fi, video recorder, zip fastener, cutlery, camera and ball bearings industries are all now dominated by the Japanese.

Protectionist measures have been firmly ruled out by the Economics Ministry, so some of these troubled companies have turned to the Research Ministry for forms of modernisation subsidies that would *allow them to restructure to* meet the new challenge. The camera companies have been encouraged to devote 5 to 6 per cent of their turnover to R and D, with the main thrust of the research being on how to develop high-technology cameras (often in the DM 2,000 range) that are relatively immune to Japanese competition.

However, Bonn's industrial research spending is only a small proportion of the country's total research expenditure. Last year's governmental R and D spending of about DM 6bn was divided up as follows: 45 per cent went to support domestic and European scientific institutions for basic research, leaving about DM 3.2bn, of which some DM 2.3bn was allocated to German business.

This compares with German industry's total R and D expenditure last year of DM 27bn. The government allocation is thus little more than a drop in the ocean.

But of this DM 27bn, about 80 per cent is accounted for by five sectors: chemicals, aerospace, instrument manufacture and optics, engineering and the electrical-electronics industries. Within these industries the main R and D spenders are large companies. Siemens, for example, spends well over DM 2bn annually on research.

Somewhere, tucked away behind these statistics, there are a large number of smaller companies which cannot afford to modernise or innovate. Their response to a tightening market has been to start producing abroad, thus reducing labour and production costs. The German cutlery industry, for example, is now overwhelmingly based on joint ventures with Japan, South Korea, Singapore and Spain, and imported cutlery now accounts for 90 per cent of German demand.

But the result of such a *structural shift is that the German*-based cutlery industry, once a world leader, has shrunk to 50 companies, employing in Germany a total of only 2,000 workers.

Dr. von Buelow admits that a certain imbalance has crept into the system and that innovation is being stifled in some areas. But the answer he stresses is not to drop direct assistance but rather to use it more effectively. Large companies should take over more responsibility for long-term research that ultimately will be to their benefit, thus freeing the Research Ministry to encourage smaller companies which traditionally have been the most innovative in the German economy.

Roger Boyes

LOMBARD

The purpose of indexed gilts

BY ANTHONY HARRIS

THE ISSUE of indexed Government bonds next week may or may not achieve an opportunity to cut the cost of servicing the national debt in a big way. But it has already given a splendid jolt to thinking in the City, and presents some entertaining nonsense in our correspondence columns.

Before things get quite out of hand, I would like to propose some ground rules for the debate which will no doubt be still going on this time next year about whether indexed bonds are a Good Thing or a Bad Thing.

I do not want to suggest the answer to the question. In spite of the widespread impressions to the contrary, I am not particularly enthusiastic about indexed borrowing—especially redeemable indexed borrowing. I am just against over-reliance on conventional fixed money interest borrowing. But it is not necessary to know the answers in order to suggest what are the right and what are the wrong questions.

Burdens

For example, it is not an objection to indexed borrowing to suggest it represents some form of "spend now and pay later." All long-term borrowing is an effort to spend now and pay later—even the long-term borrowing indulged in by Mr. Gladstone. It is nonsense to suppose that indexed bonds represent dreadful burdens for our children. The point about an indexed bond is that it cannot under any circumstances represent a dreadful burden for our children, or an insignificant one for that matter.

It will be just as expensive in real terms to repay 15 years from now as it would be to repay tomorrow—and just as cheap. That is the point of indexation.

It is not very helpful, either, to consider taking up another reader who offers to bet that the cash outlay on the new indexed bond will be greater, from start to finish, than that on a 15½ per cent conventional gilt of the same maturity. For one thing, there is a large institution for making such bets known as the stock market. For another, it would be very odd if the cash outlay on the indexed gilt were not liable to be a great deal larger than on the conventional one. After all, the investor does not get the cash for several years, during which most of its value has been eroded by inflation.

To cut a long story short, the nature of an indexed gilt is very simple, in spite of all the obfuscation. It is just like the sort of gilt-edged investments that used to keep widows and orphans in the days of Queen Victoria when nobody had even heard about inflaton for several decades.

It has a low cost in real terms. Its cost in money terms can only be forecast by those who think that they can forecast the rate of inflation for several years ahead; and people who are as clever as that are unlikely to be interested in anything as simple minded as an indexed gilt.

You might think that this description means that indexed gilts are a good thing. This does not follow. If you regard a low cost of debt service as a good thing—which suggests that you think as a taxpayer and not as an investor—you may still question whether indexed gilts are a help. After all, Government borrowing has not involved any real cost for the past ten years or so, so why pay even one or two per cent?

Investment

However, the real question is not whether it is a good thing to cheat investors or to pay an honest if modest return, but what you borrow for. This is the issue that seems to be forgotten by everyone taking part in the debate. If the Government uses the money it raises at 2 per cent real to invest in something like a power station which will earn 3 or 4 per cent in real terms, our children will not face a burden. They will enjoy a handsome profit. If, on the other hand, the Government is borrowing the money to pay unemployment benefit or to pay the interest on unindexed debt, then whatever it borrows and on whatever terms will be a dead weight.

Since conventional borrowing mainly gets repaid in the early years in real terms, I would share the moral objections to index borrowing if it is used to finance current expenditure. But if the Chancellor has an instrument to justify some overdue real investment, then three cheers.

Plants for industrial areas

GARDENS TODAY

BY ROBIN LANE FOX

AFTER the last two Budgets someone, somewhere, must be building those new, small factories for the new, small firms.

Historically, I agree, it has never quite followed that laws and incentives relate much to the facts of life. This week, however, I will assume that there are still some thrusting new employers for new enterprises and that behind all those new carrots there are indeed some donkeys in view. I merely wish to remind the donkeys to take some trouble about their trees.

A new group, we have to believe, will be making its presence felt: Private payers of the highest taxes will be leaving their farms and surgeries, their broking housing firms and law courts and will be losing next year's surtax in the building and backing of small factory blocks.

Rockeries

So far, their bigger brothers have not set much of an example in most of the settings round our places of work. Perhaps these new supporters will carry over their private interests and at last do something for the standard of gardening and landscaping round this country's factory units. With few expections, I see the deathly touch of the architect's plan in the forecourts, surrounds or pieces of lawn which stand near industrial buildings.

Industrial architects believe that rockeries and waterfalls are good value. They are familiar with massed lumps of forsythia or the miserable beds of yellow potentilla which stand by the roadsides and nearby factories. Their clients want to prosper not to garden, they know more about heavy plants than flowering ones, so they let the architects round off the job.

In the past year, I have seen new company headquarters which have fallen for white limestone rockeries in brick suburban areas and I have been amazed at the persistence of expensive geraniums and marigolds in open bed plantings, whose upkeep is a contract gardener's dream. Trees still mean cherry trees, shrubs the coarse buddleia and dull weigela. While they enjoy their carrots, perhaps the new class of donkey will add their skill as private gardeners to a few simple aims.

When they back these new small units perhaps they can remember that there is no good reason why garden trees and shrubs will not enjoy them too. Our largest nursery Hilliers found just over 150 varieties of trees and shrubs "suitable for industrial areas" when it launched its famous manual of the hardy varieties eight years ago. They range from Pocket Handkerchief trees to hibiscus, magnolias to lilacs. The surtax bill will stand something far more adventurous than a plain old pink cherry.

Somebody once planted plane trees in London's Berkeley Square and Ginkgos all over Washington. These were bold dreams in their day. There is nothing bold about another round of architects' laburnum.

Under beech trees, for instance, Hilliers remarks that "all" are suited to industrial planting. I would endorse this with memories of a superb small forecourt to a Lancashire motor parts firm which had been given over to the lovely fern-leaved beech. A few trees of this sort go a long way, far further than the expensive beds and closely packed shrubberies of a contractor's sketch plan. Sold as Fagus Heterophylla it is far too seldom planted.

Next month it will break into a fresh lime green. The cut leaves will turn a burnt orange in autumn without ever looking tired. Large leaves catch the dirt round a factory unit, whereas a cut leaved tree lets most of the mess through.

Bright bark is another audacity which a few factories have allowed inside their gates. Again, it is an excellent idea. Trees like the snake bark maple or the mahogany cherry called Serrula are not spoilt by dust or fumes. The bark is their feature and it will usually stand a bad atmosphere. Plane trees are so tough because their peeling bark allows them to breathe through the trunk.

For the same reason there is fun to be had with the lovely varieties of birch. The birch, indeed, is a factory owner's friend, not as a means of disciplining a workforce, but as an object of beauty to cope with the usual round of chemical fall-out. Many of its forms will keep their fresh white colouring.

The silver birch is a general name for a far wider group in which a narrow one called Tristis fits in with any site and weeps prettily with its thin branches.

If you want a larger tree you might like the lovely paper birches called papyrifera whose bark is a fine white and whose broad leaves turn a handsome yellow in autumn. There is a cousin of this whose bark peels back to a pretty shade of red brown. Known as the Yukon birch it sells as Betula Humilis and as its home lies in Alaska, it will stand almost anything a small company can throw at it.

So, too, will the red twigged lines which city councils have begun to patronise. Eventually, they are large trees, but they are handsome from the start as are the many recent forms of the Whitebeam which are quite unspoilt by the fumes of heavy traffic.

Equally there is no hostility between the stronger sorts of deciduous magnolia and industrial life. Some of the best in the world line the great avenues in Washington—a plant which puts many of our street trees to shame. In the right site, the Tulip tree would cope very well so long as nobody picked it and broke it in its fragile first three years. When established it races away.

Among the shrubs two rules are usually broken. Far too many plants are set too closely together and no respect is paid to the shrubs' season and outline. I would prefer a few big varieties to all those low carpets which are let into many plans.

There is no iron rule that factories must be hostile to shrubs which are scented. Mahonias, indeed, are one of the toughest selections and the plain winter variety called Japonica will give off a scent of lily of the valley in any corner against an unpromising building.

It ought to take more than an industrial architect to keep out the many sweet forms of white-flowered philadelphus, while I doubt if any normal fumes would upset the strong viburnums, the spring flowering juddii and the sweet winter Bodnantense. The tougher shrubberies like Sarah van Fleet will cope with a rough home. So too would many of the handsome skimmias whose evergreen leaves liven up the winter.

Avoid grey

Match these shrubs in big groups not in ones and twos, and try to use their height by contrast to set off each other. Avoid grey-leaved plants which do not wear well in a dirty atmosphere. Some specimen magnolias, a big run of skimmias and the useful evergreen Osmarea would give you a fine background for a planting which balanced evergreens and scent.

Ambitious donkeys will find these ideas too tame but I only wish to remind them that their opportunities do not stop at the factory door. Every building has room for its plants and if its new private backers bring them a new lease of life, this at least is one area of growth which is guaranteed.

Anaglog's Daughter looks safe

RACING

BY DOMINIC WIGAN

ANOTHER DOLLY sprung a 33-1 shock in last year's Queen Mother Champion Chase but it is difficult to envisage a similar turn-up this time round with Anaglog's Daughter in the line-up.

Connections of Anaglog's Daughter will, in my opinion, be extremely misguided if they decide to saddle her in the Gold Cup. Not only is she likely to be feeling the effects of today's exertion, but the 3¼ miles of the feature event is almost certainly beyond her stamina.

Having said that, there is no denying her claims in this afternoon's two mile event which looks perfect for the Bill Durkan mare.

Anaglog's Daughter, the 15 lengths conqueror of Kilkwell in the 2½-mile PZ Mower Chase at Thurles on February 19, was equally impressive in Leopardstown's Foxrock Cup, though the margin was much narrower. The eight-year-old was soon in command, outjumping her 12 opponents at almost every fence. She passed the post three lengths ahead of Luska after being eased in the closing stages.

Unless misfortune befalls her, Anaglog's Daughter should have her 10 rivals in trouble some way from home. I take her to outclass fellow Irish raiders Chinrullah and Light The Wad.

The last named was doing his best work close to home in Fairyhouse's Amberwave Chase when third. He represents solid each way value.

It will be remarkable if Willie Wumpkins can lift the Coral Golden Hurdle Final for a third successive year following 25-1 and 10-1 successes. But the possibility cannot be dismissed. Last time Mr. Jim Wilson's 13-year-old mount showed that he has "come right on cue."

He looks sure to make the frame, but I narrowly prefer Saspring. Trained by Mick O'Toole for his wife, Saspring has been shaping well enough to suggest that the handicapper has taken a chance in allotting him only 10 st 4 lbs. Peter Scudamore rides.

CHELTENHAM

2.15—Eddie*
2.50—Anaglog's Daughter***
3.30—Saspring
4.05—Wayward Lad
4.40—Tam
5.15—Bueche Giorod**

ENTERTAINMENT GUIDE

OPERA & BALLET

THEATRES

CINEMAS

ART GALLERIES

CLUBS

TV/Radio

† Indicates programme in black and white

BBC 1

6.40-7.55 am Open University. 9.05 For Schools, Colleges. 11.25 You and Me. 11.40 For Schools, Colleges. 12.42 pm Regional News for England (except London). 12.45 News. 1.00 Pebble Mill at One. 1.45 Trumpton. 2.01 For Schools, Colleges. 3.00 Speak for Yourself. 3.25 Delia Smith's Cookery Course. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Secret Squirrel. 4.25 Jackanory. 4.40 Take Hart. 5.05 John Craven's Newsround. 5.10 Break in the Sun. 5.35 Fred Basset in "Puppies Tale."

5.40 News.
5.55 Regional News Magazines and Nationwide.
6.20 Nationwide.
6.55 Triangle.
7.20 The Wednesday Film: "Dear Brigitte" starring James Stewart.
9.00 News.
9.25 Sportsnight.
10.15 Open Secret.
10.45 Parkinson.
11.45-11.50 News Headlines.

All regions as BBC1 except as follows:

Cymru/Wales — 10.30-10.50 am I Ysgolion: Daearyddiaeth. 11.02-11.22 I Ysgolion: Ffenestri. 1.45-2.01 pm Mister Men. 2.18-2.38 I Ysgolion: Hyn O Fyd. 5.10-5.40 Break in the Sun. 5.55-6.20 Wales Today. 6.55 Heddiw. 7.20 Antur I'r Andes. 7.50 Triangle. 8.15-9.00 Abba in Concert. 11.45 News Headlines, News and Weather for Wales.

Scotland — 12.40-12.45 pm The Scottish News. 5.55-6.20 Reporting Scotland. 11.45 News Headlines. News and Weather for Scotland.

Northern Ireland — 3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 11.45 News Headlines. News and Weather for Northern Ireland.

England — 5.55-6.20 pm Look East (Norwich); Look North (Leeds); Look North (Newcastle): Look North West (Manchester); Midlands Today (Birmingham): Nationwide (London and South East); Points West (Bristol): South Today (Southampton): Spotlight South West (Plymouth).

BBC 2

6.40-7.55 am Open University.
10.20 Gharbar.
11.00 Play School (As BBC1 3.55 pm).
2.00 pm Racing from Cheltenham.
4.50 Open University.
†5.40 King of the Rocket Men.
†5.55 "Once Over Lightly" (Mack Sennett comedy).
6.10 The Master Game.
6.40 Open Door.
7.10 Mid-Evening News.
7.25 One Hundred Great Paintings.
7.35 The Getaways.
8.05 Muggeridge: Ancient and Modern.
9.00 M*A*S*H.
9.25 The Life and Times of David Lloyd George.
10.25 Racing from Cheltenham (highlights).
10.45 Newsnight.

BBC2 Scotland only — 1.15-1.45 pm Caercall.

LONDON

9.30 am Schools Programmes. 12.00 Cloppa Castle. 12.10 pm Rainbow. 12.30 About Britain. 1.00 News plus FT Index. 1.20 Thames News. 1.30 Crown Court. 2.00 After Noon Plus. 2.45 Fantasy Island. 3.45 Food, Wine and Friends. 4.15 Dr. Snuggles. 4.20 Runaround. 4.45 Brendon Chase. 5.15 Mr. and Mrs.

5.45 News.
6.00 Thames News.
6.25 Help!
6.35 Crossroads.
7.00 This is Your Life.
7.30 Coronation Street.
8.00 Starburst.
9.00 Once in a Lifetime.
10.00 News.
10.30 Midweek Sports Special.
12.00 Superstar Profile.
12.25 am Close: "Sit Up and Listen" with Johnny Morris.

All IBA Regions as London except at the following times:

ANGLIA

9.15 am Jobline (comprehensive guide to job seekers in the region). 1.20 pm Anglia News. 2.45 Story Hour. 6.00 About Anglia. 12.00 Paris By Night. 12.30 am The Big Question.

ATV

1.20 pm ATV News. 2.45 Lettermen In Concert. 5.15 Survival. 6.00 ATV News. 6.05 Crossroads. 6.30 ATV Today. 12.00 ATV News. 12.05 am Late Night Country Music: George Hamilton IV.

BORDER

1.20 pm Border News. 2.45 The Love Boat. 5.15 University Challenge. 6.00 Lookaround Wednesday. 12.00 Border News Summary.

CHANNEL

1.20 pm Channel Lunchtime News. What's On Where and Weather. 2.45 Star Parade (Barry Manilow). 5.15 University Challenge. 6.00 Channel Report. 10.28 Channel Late News. 12.00 Epilogue followed by News and Weather in French.

GRAMPIAN

9.25 am First Thing 1.20 pm North News. 2.45 The Love Boat. 5.15 Batman. 6.00 North Tonight. 12.00 North Headlines.

GRANADA

1.20 pm Granada Reports. 2.00 Live From Two. 2.50 Family. 5.15 Welcome Back, Kotter. 6.00 Granada Reports. 6.25 This Is Your Right. 12.00 The Odd Couple.

HTV

1.20 pm HTV News. 2.00 Houseparty. 2.25 "Run a Crooked Mile," starring Louis Jourdan, Mary Tyler Moore, Wilfred Hyde White and Stanley Holloway. 5.15 Dick Tracy. 5.20 Crossroads. 6.00 Report West. 6.30 Survival. 10.28 HTV News.

HTV Cymru/Wales—As HTV West except: 12.00-12.10 pm Ffalabalam. 4.15-4.20 I Wish I Had. 4.45-5.15 Streeon Y Byd. 6.00 Y Dydd. 6.15-6.30 Report Wales.

SCOTTISH

1.20 pm News and Road and Weather. 2.45 Certain Women. 5.15 Traveller's Tales. 5.20 Crossroads. 6.00 Scotland Today. 6.20 Toye's Talk Back. 6.30 Weir's Way. 12.00 Late Call.

SOUTHERN

1.20 pm Southern News. 2.00 Houseparty. 2.25 Fantasy Island. 3.15 Life Begins at Forty. 5.15 Betty Boop. 5.20 Crossroads. 6.00 Day By Day. 6.35 Scene Mid-Week (South-East area only).

TYNE TEES

9.20 am The Good Word. 9.25 North-East News. 1.20 pm North-East News. 1.25 Where The Jobs Are. 2.45 Danger UXB 6.00 North-East News. 6.02 Crossroads. 6.25 Northern Life. 10.30 North-East News. 12.00 Makers of Northumbria.

ULSTER

1.20 pm Lunchtime. 4.13 Ulster News. 5.15 Cartoon Time. 5.20 Crossroads. 6.00 Good Evening Ulster. 10.29 Ulster News. 12.00 Bedtime.

WESTWARD

12.27 pm Gus Honeybun's Brithdays. 1.20 Westward News Headlines. 2.45 Star Parade (Barry Manilow). 5.15 University Challenge. 6.00 Westward Diary. 10.31 Westward Late News. 12.00 Faith For Life. 12.05 am West Country Weather and Shipping Forecast.

YORKSHIRE

1.20 pm Calendar News. 2.45 Lifeline. 5.15 Diff'rent Strokes. 6.00 Calendar (Emley Moor and Belmont editions).

Radio Wavelengths

1 1053kHz/285m 1089kHz/275m	3 1215kHz/247m & 90-92.5vhf stereo	BBC Radio London 1458kHz, 206m & 94.9vhf
2 693kHz/433m 909kHz/330m & 88-91vhf stereo	4 200kHz/1500m & 92.95vhf	Capital Radio: 1548kHz, 194m & 95.8vhf
		London Broadcasting: 1151kHz, 261m & 97.3vhf

(S) Stereophonic broadcast.

RADIO 1

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.00 Andy Peebles. 12.30 pm Newsbeat. 12.45 Paul Burnett. 2.30 Dave Lee Travis. 4.30 Peter Powell. 7.00 Radio 1 Mailbag. 8.00 Richard Skinner. 10.00-12.00 John Peel (S).

VHF Radios 1 and 2—5.00 am With Radio 2. 8.00 pm Listen to the Band (S). 8.30 Alan Dell with Dance Band Days (S). 9.00 The Song Writers (S). 9.55 Sports Desk. 10.00 With Radio 1. 12.00-5.00 am With Radio 2.

RADIO 2

5.00 am Bob Kilbey (S). 7.30 Ray Moore (S). 10.00 Jimmy Young (S). 12.00 David Hamilton (S). 2.00 pm Steve Jones's Request Show (S) plus Cheltenham Racing. 4.00 Much More Music (S). 5.00 Sport on 2 Special (part 1). 6.00 John Dunn (S). 8.00 Sport on 2 (part 2). 9.30 The Songwriters (S) (joins VHF). 9.55 Sports Desk. 10.00 Wit's End. 10.30 Richard Gordon Says Be My Guest. 11.00 Brian Matthew with Round Midnight, including 12.00 News. 2.00-5.00 am You And The Night And The Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Your Midweek Choice (S). 8.00 News. 8.05 Your Midweek Choice (continued). 9.00 News. 9.05 This Week's Composer: Fauré (S). 10.00 Music for Organ (S). 10.45 Violin and Piano recital (S). 11.30 BBC Scottish Symphony Orchestra (S). 1.00 pm News. 1.05 Concert Hall (S). 2.00 Test Match Special (West Indies v. England). 4.05 Wordsworth: The Prelude (Abridged reading). 4.30 Mozart and the Violin recital. 4.55 News. 5.00 Mainly for Pleasure (S). 7.00 Doris Soffel song recital (S). 7.30 Djilas on Tito. 8.00 Mendelssohn Concert from the Royal Festival Hall (part 1) (S). 9.00 Six Continents. 9.20 Mendelssohn (part 2) (S). 9.55 Clarinet and Piano recital (S). 11.00 News. 11.05 Piano Nocturne by Palmgren (S). 11.15-11.30 Test Match Special (review of the day's play).

VHF—with Medium Wave except as follows: 5.55-6.55 am Open University. 2.00 pm Music Weekly (S). 2.50 Dvorak (S). 3.20-4.05 Some British Songs of the 20th Century. (S). 11.15-12.35 am Open University. 12.35-12.55 am Open University for students in Radio Scotland and Radio Cymru areas only.

RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping Forecast. 6.30 Today, including 6.45 Prayer for the Day. 7.00, 8.00 Today's News, 7.30, 8.30 News Headlines 7.45 Thought for the Day. 8.35 Yesterday in Parliament. 9.00 News. 9.05 Mid-week: Russell Harty's People. 10.00 News. 10.02 Gardeners' Question Time. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Baker's Dozen. 12.00 News. 12.02 pm You And Yours. 12.27 Frank Muir Goes Into . . . Pettiness (S). 12.55 Weather: Programme News. 1.00 The World At One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Afternoon Theatre (S). 3.50 Zoo Talk. 4.00 Choral Evensong (S). 4.45 Story Time. 5.00 PM: News Magazine. 5.50 Shipping Forecast. 5.55 Weather: Programme News. 6.00 News. 6.30 My Music (S). 7.00 News. 7.05 The Archers. 7.20 Checkpoint. 7.45 Phone-In 8.45 File on 4 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 The Lord of the Rings (S). 11.00 A Book At Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 9.03 Morning Star 10.03 The Robbie Vincent Telephone Programme. 12.30 pm London News Desk. 12.40 The Tony Fish Total Music Show. 2.30 Tony Blackburn. 5.00 News. 5.15 Music On The Move. 6.33 The Name of the Game . . . Rugby. 7.03 Black Londoners. 8.00 As Radio 1. 10.00 Question Time from The House of Commons. 11.00-5.00 am Join Radio 2.

London Broadcasting

6.00 am AM—Bob Holness and Douglas Cameron. 10.00 Brian Hayes with John Huston. 12.00 LBC Reports. 7.00 pm London Life—Keith Howell (includes feature on jazz). 9.00 Mike Dickin's Nightline. 12.00 LBC Reports Midnight. 1.00 am Night Extra. 4.00 Network. 5.00 Morning Music.

Capital Radio

6.30 am Mike Smith's Breakfast Show. 10.00 Michael Aspel. 12.30 pm Graham Dene. 1.00 First Report. 1.10 Graham Dene (continued). 3.00 Roger Scott. 7.00 London Tonight. 9.00 Nicky Horne (rock music). 11.00 Tony Myatt's Late Show. 2.00 am Richard Allinson's Night Flight.

F.T. CROSSWORD PUZZLE No. 4,522

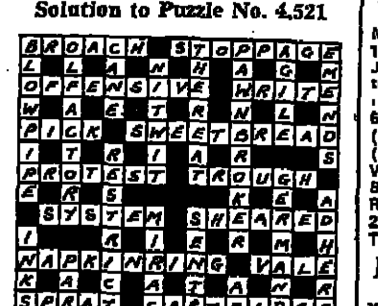
ACROSS

1 Furcula of superstition (8)
5 Far different assistance makes one apprehensive (6)
9 Feature a chap that may bowl you out (8)
10 An officer must have his standard (6)
12 Picture support as in a slippery customer (5)
13 Satellite, one that arrives in good time (5, 4)
14 Low company may be encountered at Crufts (6)
16 Inconstant like shrubs to a point (7)
19 Now for a donation (7)
21 Accountant takes the others inside for a run (6)
23 The M1 goes round in a kind of dance (9)
25 Lag with a bird after tea (5)
26 Club for a doctor with a place in Bucks. (6)
27 Established connection in smart surroundings (8)
28 Figures it is in lodgings (6)
29 "As maids of —— do of puppy-dogs" (King John) (8)

DOWN

1 A little gate possibly involving Boycott (6)
2 Trim nautically speaking (9)
3 Quarrel not experienced in British Leyland (5)
4 Very close attention in the home (7)
6 Peculiar treat for Fido gives one the elbow (5-4)
7 A political party with one excuse (5)
8 Keenly contested—that rings a bell (4-4)
11 Gin causes some to get up (4)
15 Afters and main course in sugary confection (9)
17 Additional sentence needed for a result (5, 4)
18 "With few but with how —— stars" (Flecker) (8)
20 Conservative upset in the city (4)
21 A fast mover sounds dishonest (7)
22 Endless plum gin to electrify (4, 2)
24 Leaving with a medal about one (5)
25 Drift observed in written orders (5)

Solution to Puzzle No. 4,521



FINANCIAL TIMES

PUBLISHED IN LONDON & FRANKFURT

INTERNATIONAL & BRITISH EDITORIAL & ADVERTISEMENT OFFICES

For Share Index and Business News Summary, Telephone 246 8026 (number, preceded by the appropriate area code valid for London, Birmingham, Liverpool and Manchester).

THE ARTS

Television

The laughs that linger

by CHRIS DUNKLEY

What is sitcom? Sitcom is David Jason crouching in the cellar of the corner shop in *Open All Hours* with a saucepan held over his face intoning "Inspirational toilet rolls!" in a sepulchral voice so that upstairs his scheming Uncle Arkwright, played with a stutter by Ronnie Barker, can sell a dozen of the slogan-daubed horrors to the credulous Mavis.

Sitcom is Patricia Hodge (who, helped only by an inspired jingle, beautiful red hair, enchanting green eyes, and a bewitching smile, turned the Canada Dry commercial into one of the shortest masterpieces on television) being told in *Holding the Fort* that because of her Army career she has missed daughter Emma's first word which had four letters and began with "F"—"Fitz," the name of her stay-at-home husband's brewing partner.

Sitcom is middle-aged Ronnie Corbett dressed as a pussy cat, with his tail stuck in the door, hollering "Mummy!" in the first episode of *Sorry!* It is Corporal Clinger of the 4077th *M.A.S.H.* in his nice new frock busting up a crap game in Korea. It is Paul Eddington as the Minister in *Yes Minister* declaring "It's the people's will. I am their leader. I must follow them."

Sitcom is short for situation comedy which I take it is not intended to imply that the jokes all arise, Feydeau-style, from the peculiar situations in which the characters find themselves, but rather that the comedy is set in some specific situation—the British Army in the Indian jungle, the novice in the seaside police force, the unmarried woman dealing with a baby and a job — from which the plot springs.

We would be better off if only the situations themselves *were* more comic, and more central to many of the programmes. A little more of Feydeau's hysterical dynamism might lessen reliance on the hackneyed verbal gags with which the lazier and less inventive writers pack out their scripts. It seems incredible in 1981 that anybody should still expect to get a laugh by having a kilt-wearing Scottish policeman declare "Sometimes doing your duty is more painful than parting with money." Yet it turned up on Sunday in *Doctors' Daughters* as did the exchange:

"You're wearing a bra!"

"Well I've got to keep up my morale somehow."

The American import *Taxi* is a prime example of a series in which the "situation" is virtually irrelevant: the repartee and indeed the very characters themselves would lose nothing if you transposed the entire show to a steam laundry or a salami factory. Now there's an idea. . . .

More often than not the word sitcom is used solely to distinguish one particular sort of comedy, the series featuring a regular cast, from all the other sorts of comedy on television ranging from *Little and Large* to *Punchlines*. That makes it sound a pretty clearly defined type, yet when you look more closely you find that it embraces a surprisingly wide diversity not only of content but also of styles and techniques.

In part this is a reflection of the remarkable reliance that television now places on sitcom as a simple ratings winner (there are three in the current JICTAR Top 20) and as bait to lure viewers into more serious programmes (*West End Tales* in front of *World In Action*, *Yes Minister* preceding *Horizon*). As a result the sheer bulk is becoming questionable.

Most will no doubt sink with as little trace as was left by *My Good Woman*, *All Our Saturdays* and *Alcock And Gander*, and that must mean widespread sinkings because yesterday I watched *Taxi* and *Robin's Nest*, on Monday *Yes Minister* and *West End Tales*, on Sunday *Doctor's Daughters and Open All Hours*, on Friday *Benson*, *Holding The Fort* and *Coming Home*, on Thursday *Sorry! Three's Company*, *The Incredible Mr. Tanner* and *Hi De Hi!* (which one hopes has exhausted the BBC's ration of exclamation marks for this year's titles) and on Wednesday *M.A.S.H.* Other series which I watched in the previous couple of weeks included *Partners*, *Agony* and repeats of *Fawlty Towers*. Furthermore BBC2 is still running *Don Camillo* which I exclude from the list not because it is heavy handed and lacking charm (which it is), but because it is adapted from books.

To have been created as an original work for television is, it seems to me, central to the definition of sitcom (though radio is the true birthplace with such works as ITMA, *Ray's A Laugh* and *Life With The Lyons* so "original work for broadcasting") but there are two quite different ways of approaching such creation. You can start with a star comedian and shape a custom-built vehicle for him or her, a technique at which the Americans excel.

Nobody has ever surpassed Phil Silver's performances as Sergeant Bilko, a fact proved yet again by this year's BBC repeats which, sad to say, have now finished. There was no need to make any allowance at all for their age, even though the programmes are a quarter of a century old. Perhaps later in the year the new controller of BBC1, Alan Hart, might treat us all to some re-runs of the *Lucy* shows which have lasted nearly as impressively.

The individual series created for the Ronnies (Barker the Big, and Corbett the Cuddly) are in the *Bilko* tradition inasmuch as they are vehicles for comedy stars. But unlike Silvers who gorged himself at the expense of weak feed men, Barker and Corbett are both at their best working with strong feeds (preferably one another). Thus Barker, though he is the dominant character in *Open All Hours*, is more frequently the butt of jokes delivered by nephew Granville than vice versa.

Similarly in *Sorry!* Corbett is the 40-year-old wimp, still living at home, whose mother played by Barbara Loft not only dominates him—"Look at your face" (holding out a handkerchief) "Lick!"—but has many of the best lines: "We don't listen to silly boys" and, delving in the fridge "There's this last cold potato that you've apparently got something against."

Marker's series is written by Roy Clarke, notable as the creater of *Rosie* the sensitive policeman and *Last Of The Summer Wine*, and Corbett's is written by Ian Davidson and Peter Vincent. Both series are high quality, but I shall be surprised if in five years we look back upon them as truly great sitcoms.

In this country nearly all the great ones seem to emerge from the second method of creation. In this it is not the star but the situation itself which comes first. It is worked up (often with a loving attention to detail which betrays either nostalgia or an obsession for the subject) by writers who are the key members of the production team. If the series is a great success then it may well carry its actors (not comedians) to stardom, but it is the writers from whom everything flows.

This was true of Galton and Simpson's *Steptoe and Son*, Perry and Croft's *Dad's Army*, and Cleese and Booth's *Fawlty Towers* even though Cleese was in a special position with Fawlty being both co-writer and established comedy star. It may become true of Antony Jay and Jonathan Lynn's *Yes Minister*.

Certainly the series has already given a great boost to the careers of Paul Eddington as the minister and Nigel Hawthorne as the bureaucrat. Moreover the situation is genuinely original in the sense that it has not, astoundingly, been used before on television, and it affords a lot of delighted laughs.

Yet it has two serious flaws: first there is no feeling of fondness for any of its characters as there is (even for Basil Fawlty, I believe) in great comedies, and second while each of the great sitcoms may depend ultimately upon a single joke, that in *Yes Minister*—the politician serving politics, the bureaucrat serving the bureau, and nobody serving the public—is unusually limited and already repetitive.

Laurence Marks' and Maurice Gran's *Holding The Fort* from London Weekend manages the unusual feat of bringing that feeling of fondness into the home of a feminist: you sense that Patricia Hodge and Peter Davison might really love each other, which makes a pleasant change from the norm in such series (*Agony*, say) where intercourse between partners rarely goes beyond cleverly bitter remarks. However, I doubt whether the domestic situation in *Holding The Fort* has much staying power.

We are left with just one new potential great: the minutely observed series built by Perry and Croft around the entertainments staff of a 1950s holiday camp: *Hi De Hi!* Perhaps it will be merely good, not great, but it has all the winning ingredients of their *Dad's Army*: the eccentricity which can come only from the life, and the unexpected yet entirely credible characters such as the child-hating Punch and Judy man, the university don who has become entertainments manager, Gladys Pugh who jollies the campers along in a soft Welsh accent on the Tannoy and burns with passion for the don, and above all Ted Bovis, the amoral stand-up comic whose perks include a well-publicised birthday every fortnight.

At the opposite end of the spectrum from *Taxi*, this cast could not conceivably be transposed to another environment. The comedy grows directly out of their circumstances, and if the series runs long enough there is great scope for the characters to grow, just as Captain Mainwaring and his men grew. Pray for a long run.

Ronnie Corbett and Ronnie Barker

Leonard Burt

Sheila Reid and Amanda Barrie

King's Head

Up in the 80's

by MICHAEL COVENEY

You can pick out a large treble clef in the middle of a vaguely tatty pink and silver art deco set. A rubbish-strewn London is the subject of a wan Noël Coward parody not wan enough to be titled "London Shame." Immediately, the problem of Neville Phillips's cabaret show presents itself. In style and expression it hankers uneasily after the old, vanished days of revue. In content it strikes an uneasy mix of contemporay outspokenness and tired routines.

One number cannot decide whether to plump for Brecht/Weill imitation or Shirley Temple coy references. A Cowardesque farewell scene plummets embarrassingly into a crude punch line. The big first-act closer starts with a good idea: our revered leader, Maggie Vita, as a musical heroine amalgam of Rice, Lloyd-Webber and Stephen Sondheim ("The demon grocer of Downing Street"). But the sketch gives up and flails around with unfunny quotations from *Annie* and *Oklahoma!* The first requisite of old-style revue was slickness, the second consistency of material. This show has neither.

This is through no fault of the performers, an admirable quartet who demonstrate that if revue is indeed dead, there are still plenty of morticians around to touch up the corpse. Such old chestnuts as "I work for Cunard." "So do I" (think about it), elicit suitable groans. And the stage can never be boring when invaded by the likes of Amanda Barrie and Sheila Reid playing with glorious disregard for feminist convention. Well, in those crotch-hugging bathing costumes, they would have to.

The male members of the quartet — Martin Smith and Peter Blythe — are equally accomplished. The latter, in fact, sets the house on a roar with his camp box-office attendant chattering to a colleague on the Avenue while business passes him by before wondering in pained tones why the West End is on its last legs. He also has the best prose item of the evening, an hilarious account of an Australian trouper who did interesting things with budgerigars. The show is ably accompanied at the piano by Robb Stewart, but the overall effect is uneven and faintly raddled.

St. John's, Smith Square

The Magic Mountain

by ANDREW CLEMENTS

For the second time this season the Society for the Promotion of New Music devoted one of its concerts to the public rehearsal and performance of a single large-scale orchestral work, and for the second time also the piece had a literary beginning. In November the London Sinfonietta presented Chris Dench's *Kinjiki*, based on Yukio Mishima's *Forbidden Colours*, and on Monday the Royal Philharmonic Orchestra conducted by Lionel Friend introduced *The Magic Mountain* for piano and orchestra by John Hopkins. The soloist was Stephen Pruslin.

Thomas Mann's novel evidently bulked very large in the initial stages of Hopkins's conception, but in his detailed and articulate introduction to the performance the composer attempted to play down the association. Originally the three movements of the work (Hopkins resists the classification of concerto) had descriptive titles relating to different parts of the novel but now more emphasis is laid on its elaborate structure. The melodic material is derived from four pre-existing works—scraps from the first movement of Mahler's ninth symphony, Bach's E minor "Wedge" figure, Maxwell Davies's *Ave maris stella* and *Worldes Blis*. Davies is throughout the most palpable influence on Hopkins's work: technically in its use of melodic transformations (matrices rather than magic squares) and carefully graded tempo schemes, and colouristically in a fondness for marimba and woodblock punctuation, and in that familiar undernourished writing for upper strings that derives putatively from Mahler.

The Magic Mountain plays for about 25 minutes. It spreads itself across such a broad canvas sometimes rather thinly; the grand gestures come rarely, and there is much closely textured exchange between the piano and the orchestra. Whether the soloist's periodic inaudibility was the result of miscalculated scoring or the generous St. John's acoustic it was difficult to tell. The conflict between the reflective, individualistic piano and the assertive, brusque orchestra is well delineated early in the first movement but becomes less clear-cut as the work progresses: the slow movement builds up layers of gently moving melodies, while groups of solo instruments *detach themselves* from the orchestra to sing what the composer calls a "kind of strophic love song." The last movement attempts some kind of summing up and farewell, but the kernel of an imaginative conception has already become obscured by technical preoccupations.

Theatre Royal, Stratford E.15

Blood Red Roses

by ROSALIND CARNE

7:84's latest *episodic* saga trails the history of a hot-tempered Highland lass, Bessie McGuigan. From a 12-year-old Beryl the Peril she becomes a trade union militant and finally a third-time mum. The tale unfolds from the Korean War through several elections to the present day and the shock of a Tory victory.

It is a long play and I found actress Elizabeth MacLennan's interpretation of Bessie, with its extravagant gesticulation and facial contortions, somewhat irritating. This, together with writer-director John McGrath's customary penchant for political explication makes for a fairly uninspiring show.

But there are good moments —the faintly haunting songs for example, arranged by Mark Brown and some neat one-liners. Bessie's sergeant father, an old raconteur with a tin leg, relates his heroic exploit in the UN "peace keeping" when he killed 23 men in one afternoon. Her husband, the trade union official Alex, admits: "Christ knows what we do if we actually win."

Whether or not political theatre can or should do more than entertain is a moot point. But there is precious little useful instruction in *Blood Red Roses* and not much else. 7.84 are at their best with plenty of sound and fury. If they intend to preach to the audience, a little more magnetism is called for.

Welsh Arts Council appointment

The Arts Council of Great Britain is to appoint Sir Hywel Evans chairman of the Welsh Arts Council from April 1. He succeeds the Marchioness of Anglesey, who has been Welsh Arts Council chairman since 1975.

New York City Ballet

by DAVID VAUGHAN

There seems to be no way for a budding choreographer to learn his craft except on the job, so to speak—workshops are all very well, but a ballet needs to be seen by an audience before its creator can tell whether or not it works. In its winter season just concluded the New York City Ballet presented two new ballets by Peter Martins, who is, of all the choreographers who have emerged out of the company itself, generally regarded *as the one most likely* to succeed, perhaps even the one most likely to succeed Balanchine.

At all events, Balanchine seems to take a far greater interest in Martins than he usually shows towards young choreographers; Martins's first work, *Calcium Light Night*, to music by Charles Ives, was for one season actually incorporated into Balanchine's own *Ivesiana*, and one gathers that the new Dance of the Furies in *Orpheus* was arranged by Martins, though no programme credit is given to him.

Balanchine also appears to have suggested to Martins what music he should use for these two recent ballets. The first, to music of Carl Nielsen, originally given in Copenhagen last summer under the English title *Little Suite (Tivoli)*, had a few performances early this season under the Danish title *Lille Suite* (there really is no end to the City Ballet's perversity in the matter of titles), and then was summarily dropped from several programmes, without explanation. This writer is consequently unable to comment on it at first hand. It will be performed during the company's forthcoming visit to Palm Beach, and again in the spring New York season.

The newest Martins ballet, *Suite from Histoire du soldat*, had its premiere towards the end of the season. It looks like a young choreographer's homework: make a ballet to this music (not, by the way, Stravinsky's own concert suite but a shorter selection), using this many dancers. The result shows that Martins is becoming increasingly assured in his craftsmanship, with what looks like an effortless facility in dealing with complex music, but one does not yet discern a really deep, committed response to it, only a dutiful translation into a familiar Balanchinean idiom, classicism sparked with jazzy distortions.

The fact that no one has ever come up with a definitive version of the full *L'Histoire du Soldat* seems to argue that it is not a theatrically viable piece (Diaghilev gave up on it). Martins evades the issue—his ballet is without narrative framework or incident, though every so often there seem to be vestigial references to a couple of the characters; Ib Andersen has some jauntily military steps, and Darci Kistler certainly looks and dances like a young Princess. So far, Martins has not managed to make a ballet one wants to see a second time, and that won't happen until he begins to dig deeper into the music, and into himself, to find the movement.

Kistler's meteoric rise has been the really big news this season; just last year she danced Odette in *Swan Lake* Act II at the annual School of American Ballet "Workshop" performance. She has already danced it in the company's version, and several other important solo parts, including such a key Balanchine role as the slow movement of the Bizet *Symphony in C*.

Talk of the Town

Rita Moreno

It is hard to believe that Rita Moreno has only been on the cabaret circuit for three years. She is as fulsome and free flowing as any night club veteran, her act incorporating all those traditional features—songs, a few jokes, a dance or two, some personal chat about her life and dresses, a plug for recent work, and compliments to the audience.

Given the familiar mix, it is an uneven performance. One minute she is quite stunning; the next rather tedious. She is at her best in her routine from *West Side Story*, for which she won an Oscar, and in her version of "I will survive." Little in her conversation showed sensitivity for the British (or rather touristic) audience at the Talk of the Town (she sounded at times like Patience Strong's naughty sister), and other songs were eclectic to say the least. She was sparing with the dancing although two male support dancers showed flair. All in all a safe, not unpleasant, diversion which failed to maintain the heights Miss Moreno occasionally touched.

It is to be hoped that when Lord Delfont gets round to re-staging a new cabaret to precede the star-turn he will strip the girls of those unsightly body stockings — it looks now as if the Ayatollah has designed the costumes.

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Wednesday March 18 1981

Farming policy meets reality

THE European Community's debate on this year's farm price package has started inauspiciously. The Finance Ministers, apart from those from Britain and Germany, are reluctant to insist on budgetary restraint as a useful criterion for considering the Commission's price proposals; the Agriculture Ministers are in general as vociferous in demanding much more generous price increases than those the Commission is recommending, as they are hostile to the Commission's complementary measures which would tend to penalise farmers for over-production. It is almost as if the member Governments, or *most of them, had lulled themselves* into imagining that the common agricultural policy is not, after all, facing a serious, possibly terminal, crisis. This is a pity, because if measures to deal with the crisis are postponed, the crisis will be all the more serious.

Adjustment

Though the details, as in every national agricultural policy, are complex, the essential facts are simple. The crisis facing the common agricultural policy is one of structural over-production of many of the staple food products. This over-production means that Community income from the levies on net imports declines or disappears, while the expenditure required for disposal, whether through storage, destruction or dumping abroad, rises almost uncontrollably. If the farm Ministers refuse to take steps to control the growth in output, then the costs of the policy will exceed the financial resources available. And the longer they delay accepting their responsibilities, the more serious the crisis will be, threatening not merely the survival of the farm policy but also, and much more importantly, the development of *those other elements in the* European Community which could play a vital role in tackling the central problems of the 1980s.

The solution to the problem does not lie exclusively in the choice between the 7 per cent price increase being proposed by the Commission and the 15 per cent demanded by the farmers. *In recent years, price* increases have tended to be rather moderate and below the rate of inflation, and farm incomes have been falling; but output goes on rising because of better productivity, better seeds, better cows. What is now overdue is a serious attempt to put a lid on production.

The Commission proposes to achieve this by modified quota systems, which would penalise the farming industry for over-production, by taxes or by reductions in guaranteed prices. If adopted, this would be a big step forward, but only a first step, because the quotas suggested are based on current levels of production, which are in many cases too high and much too expensive.

In the longer run, the Community may have to redesign the common agricultural policy altogether. The system we have has made rich farmers richer and poor farmers poorer; it has penalised consumers and taxpayers; it has penalised poor countries to the benefit of rich countries; it has failed to provide free trade in farm products, because of the fluctuation of currencies and the fantasy of common prices; and it wastes far too much money, at a time when all governments are trying to save money. In the longer run, these defects could be remedied if a significant proportion of the least efficient *farmers went out of production:* if prices for the remainder were lowered to more reasonable levels; and if a firm grip were kept on the quantities produced.

Tactical error

A redesign on this scale could hardly be contemplated as part of an annual price review, and would be more appropriate for *the strategic proposals which the* Commission will put forward this summer. In the meantime, however, it is essential that the farm ministers face up to the *nature of the crisis which is* looming. The Commission made a serious tactical error in revealing that the funds available for this year are somewhat greater than previously envisaged. But it would be a dereliction of duty for the farm ministers to hide behind the pretext of the French presidential election, and to act as if their only duty were to the farmers.

Re-defining the public sector

A LOGICAL error seems to have crept into the Government's economic thinking during the week since the Budget. This solecism, described by some economists as the "lump of investment fallacy," asserts that any increase in borrowing and investment in one part of the economy must automatically lead to a fall in investment in some other part. This theory was put forward with unprecedented clarity last week in Parliament by the new Chief Secretary to the Treasury, Mr. Leon Brittan.

Suspicions

It is possible to sympathise with Mr. Brittan's doubts about fiscally-induced reflation and with his suspicions about any panacea for the nation's economic problems which would involve "massive programmes" of government action. But his central message—that higher financing for nationalised industry investment would simply *mean "substituting additional* investment in railways or water for investment in engineering and agriculture and would delay the recovery of the private sector"—is erroneous.

The flaw in this argument is not simply that many private companies depend on orders from the nationalised industries. That point could equally *well be made in support of all* forms of public spending, however unproductive.

There are two stronger objections to the "lump of investment" theory. The first is macroeconomic. It does not need an extreme Keynesian to recognise that there are significant resources lying idle in the present recession. Under these circumstances additional public investment could coincide with an upturn in private investment without producing inflationary overheating. The Government's frequently expressed view that boosting demand tends to lead only to inflation and not to an increase in real output may be valid for the sort of fiscal stimulus applied in the past. But it is less plausible when applied to increases in borrowing used to finance productive investments that will directly produce the extra goods and services which make up real output.

If an investment-led recovery is the Government's aim, it is perverse to restrict plans for potentially profitable investments by industries supplying some of the goods and services *for which demand is expected* to grow rapidly in the future, simply because these industries are under public ownership. There is much to be said for a redefinition of the Public Sector Borrowing Requirement which separates out the borrowings of industries which are expected to service their debts *from revenues which they* generate in the market.

This leads to the second, microeconomic, set of arguments against the Government's opposition to nationalised industry investment. For there is no reason to believe that "productive" industry is to be found only in the private sector, or even that private investment is always preferable to public investment. Clearly, the desirability of investment projects depends on the returns which they will produce.

It is in evaluating these probable returns that the real problems with nationalised industry investment arise. The fact that at present all their investment funds are raised through the Government means that capital markets have no role in allocating resources between nationalised industry investments and those in the private *sector. This is why it would be* right for additional investment funds for nationalised industries should be raised through instruments which link the return to the investor with the performance of the industry concerned.

The fact that several of the nationalised industries enjoy an almost complete monopoly further complicates the evaluation of their investment projects. Competition provides the best guarantee that capital will be exploited efficiently and that profits generated by an industry are a genuine reflection of con*sumer preferences. However, it* is wrong to confuse the issue of monopoly regulation, which arises with all utilities, with that of public versus private ownership.

Privatisation

If the Government wishes to transfer some of the profitable nationalised monopolies to private *ownership,* the financial markets' role in investment allocation would become greater, but some system of utility regulation would still be required. In any case, Ministers should *not use the long-term* possibility of privatisation, which we would welcome, as an excuse for procrastination over investment programmes which could yield profits and benefit the British economy in the shorter term.

BANKING IN BRITAIN

New pieces in the jigsaw

By Michael Lafferty, Banking Correspondent

"FROM now on it will be the Big Five, rather than the Big Four," said Sir Michael Herries, chairman of Royal Bank of Scotland group yesterday.

Sir Michael was speaking at a joint Press conference following agreement on the terms of a near £900m merger between Royal Bank and the Standard Chartered Bank, which amounts to the biggest change in Britain's banking jigsaw since the rush of big mergers in the late-1960s.

Some of the implications of the deal have already begun to emerge. Yesterday morning, less than 24 hours after the announcement that talks were well advanced, Lloyds Bank launched a £145m bid for the Lloyds and Scottish finance house, where up to now both Lloyds and Royal Bank have *had 39 per cent stakes, with the* rest held publicly.

Meanwhile, there is speculation in the City about possible counter bids, about the future of the Bank of Scotland, the *only other independent Scottish* bank, and about Lloyds Bank's plans for Grindlays Bank, a London-based international bank similar in some respects to Standard Chartered, where Lloyds already owns 41 per cent of the partially quoted holding company that own Grindlays.

Yesterday Mr. Peter Graham, *chief executive of* Standard Chartered, put his finger on the key attraction of the merger: "UK banking is probably the most profitable in the world. We believe the domestic scene offers tremendous opportunities," he said.

This level of profitability has taken the big British clearers right to the top of the world *banking* league tables, and there has been increasing foreign interest in the UK market. This has already manifested itself in an increasing presence by U.S. banks and quasi-banks, such as Citibank Trust, Boston Trust, Western Trust, Avco, HFC Trust, Beneficial Trust, and the like.

At least one of the parents of one of these—Citibank of New York — would like to acquire a branch network quickly. It has frequently been suggested as a possible bidder for Royal Bank. But Sir Michael emphasised yesterday: "We think we are shaping our own destiny. You would not get an opportunity like this in a month of Sundays."

The proposed merger also comes at a time when there is increasing competition in retail banking—and growing interest in the 40-plus per cent of English adults who do not have bank current accounts. On the one hand the Trustee Savings Banks are *poised to become a* significant force in the market, particularly after their acquisition of the United Dominions Trust finance house.

On the other, the country's 240-odd building societies are beginning to realise that they, too, are really in the business of retail banking. One or two are already experimenting with *cash dispensers, while another* is said to be considering issuing a credit card. All this means that the British retail banking market is likely to see more competition in the 1980s than it has ever known before.

For those foreign banks interested in getting a ready-made stake in the highly lucrative UK retail market, the Standard Chartered/Royal Bank *deal is of singular significance.* Royal Bank represents the last opportunity to buy a branch network in England through Williams and Glyn's.

While the retail side of Royal Bank is clearly of great importance, Standard Chartered is also interested in it as a fully-fledged bank with many substantial corporate customers. *Lending to some of these may not* seem particularly profitable at the moment, but, as Mr. Peter Graham said yesterday: "The margins on domestic banking have been more or less stable over the past ten years."

Until now, the biggest structural changes in British banking were the mergers which took place at the end of the 1960s. Twelve years ago there were 11 banks represented on the Committee of London Clearing Banks. The mergers reduced eight of those banks to three; as follows:

- Barclays acquired Martins Bank in November, 1968.
- National Westminster was formed the same year as a result of a merger between Westminster Bank and National *Provincial Bank (the latter had* previously taken District Bank in 1962).
- Williams & Glyn's Bank was formed in 1969 and took over the business of Glyn, Mills and Co., Williams Deacon's Bank, and the National Bank. The first two had been subsidiaries of the Royal Bank of Scotland.
- The Royal Bank of Scotland group that we know today was itself the outcome of a merger in 1968 between the National Commercial Bank of Scotland and the Royal Bank of Scotland.

These various deals left the UK with four major banking groups — Barclays, National Westminster, Midland, and Lloyds—all based in London. The fifth London clearing bank, *so-called because of its membership* of the clearing house, was Williams and Glyn's.

But the picture is only completed by taking in the Scottish banks, where mergers over the past 20 or so years have reduced the number of separate units from six to three banks. These are the Royal Bank of Scotland, Bank of Scotland and Clydes*dale Bank. Each of these banks,* in turn, has significant shareholding links with a London clearing bank:

- The most important is the Royal Bank of Scotland's complete ownership of Williams and Glyn's Bank;
- Lloyds Bank, in turn, has a 16 per cent stake in Royal Bank of Scotland, dating from the time when it owned the National Bank of Scotland. If the bid goes through it will now exchange this for Standard Chartered shares and cash;
- Barclays Bank owns 35 per cent of Bank of Scotland, the second largest of the Scottish banks.
- Finally, Midland Bank owns Clydesdale Bank.

The Lloyds Bank bid for Lloyds and Scottish, the finance house, thus became more or less inevitable once Standard Chartered and Royal Bank revealed their intention to merge.

Whether the rationalisation will end there is not yet clear. It is already apparent, however, that Lloyds Bank is interested in buying out Citibank's 49 per *cent stake in Grindlays Bank,* the operating company, which, in turn, is 51 per cent owned by Grindlays Holdings, where Lloyds already holds 41 per cent of the quoted equity.

The future of the Bank of Scotland is also being debated. Will Barclays seek to buy it out entirely, or will another enter the field? Analysts are still *guessing.*

That then is the shape of British commercial banking.

The only practical alternative for a foreign bidder, if and when Royal Bank merges with Standard Chartered will lie in starting a branch network from scratch. But this is probably not a practical way to carve out a significant share of the personal *banking* market before it is fully absorbed by the Big Four, or Five, over the coming decade.

The most intriguing question now is whether any foreign bank will try for the big time before it is too late.

TOP 20 WORLD BANKS

	By assets ($m)		By shareholders' funds ($m)		By net income ($m)	
1	BankAmerica	103,919	Barclays	4,099	Barclays	817
2	Citicorp	102,742	Citicorp	3,598	NatWest	732
3	BNP	98,982	NatWest	3,506	BankAmerica	600
4	Deutsche	91,590	BankAmerica	3,462	Citicorp	544
5	Credit Lyonnais	91,199	Banco do Brasil	3,258	Midland	428
6	Societe Generale	85,020	Paribas	3,087	Lloyds	408
7	Dresdner	70,277	Deutsche	2,930	Banco do Brasil	361
8	Barclays	67,494	Midland	2,746	THE NEW GROUP	325
9	Dai-ichi Kangyo	66,258	Lloyds	2,712	Chase	301
10	NatWest	64,412	UBS	2,548	J. P. Morgan	288
11	Chase	61,975	Swiss Bank Corp.	2,460	Paribas	285
12	Fuji	58,516	Credit Suisse	2,433	Deutsche	247
13	Commerzbank	58,110	THE NEW GROUP	2,335	Rabobank	244
14	Mitsubishi	56,098	Chase	2,176	Royal Bank	231
15	Sumitomo	55,317	Dresdner	1,973	HK and Shanghai	229
16	Sanwa	53,119	J. P. Morgan	1,959	Western Bancorp	215
17	Westdeutsche	52,868	Dai-ichi Kangyo	1,889	Man Han	211
18	Banco do Brasil	49,072	Rabobank	1,860	Bank of Montreal	195
19	Paribas	48,318	Sumitomo	1,751	Continental Ill.	194
20	Bayern Verein	48,069	Fuji	1,746	UBS	182

The list excludes Credit Agricole, the French grouping of rural banks, which would rank *first in terms of both assets and shareholders' funds. The bank does not publish net income figures.* All figures are for end 1979 except Japanese banks (end March 1980) and Canadian banks (end October 1979). The New Group's assets are not large enough to figure in the Top 20. At $40,586m the group would rank 32nd in the world.

Source: IBCA Banking Analysis.

How Standard Chartered's empire has changed

FIVE YEARS ago, Africa accounted for over two-fifths of Standard Chartered Bank's assets, and the East for another fifth. If its bid for the Royal Bank of Scotland is successful, the African pro*portion will be reduced to one* fifth and the proportion in South Africa will be down to under 15 per cent—despite rapid growth in recent years.

The UK and Europe will account for over half the enlarged group's assets and the U.S., which until recently was only a tiny part of the business, for another sixth.

There are two themes behind this radical change in the bank's profile. One has been the political vulnerability of its African interests, *where there has been a general trend towards increasing* local participation. For Standard, this has had a particularly noticeable impact in Nigeria and South Africa.

Another has been its avowed ambition to build what was described yesterday as "one of the great banks." The original merger between *Standard Bank and Chartered* Bank in 1970 brought together two banking pillars of the old Empire: together they controlled the largest commercial bank in Zimbabwe, a branch in Shanghai, and others in most of the places that used to be coloured red on school maps. It seemed to lack cohesion, and for some time it was widely assumed that it would be swallowed up by a bigger bank in search of an international spread.

Midland was the favoured candidate. It built up a shareholding of 16 per cent, and rather cheekily treated Standard Chartered as an associate until eventually it decided to fulfil its inter*national ambitions elsewhere.*

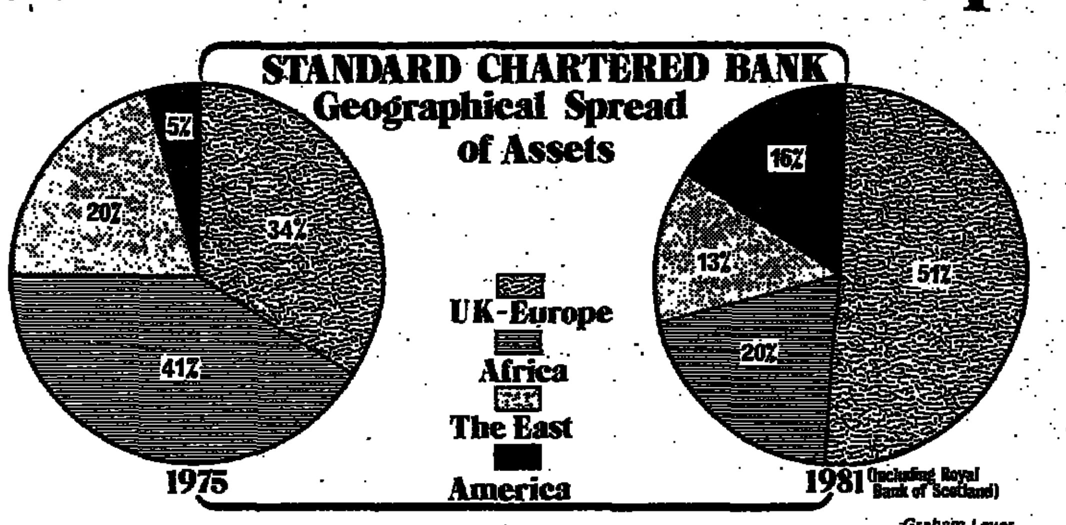
But under Lord Barber, the former Chancellor of the Exchequer, who became chairman in 1974, Standard *Chartered has built* an empire too big for any UK bank to attempt to take over.

The first major step was the acquisition in 1979 of Union Bancorp of California, which in terms of deposits ranked 25th among U.S. banks. If the latest bid suc*ceeds, the combined group's* balance sheet will total some £19bn, double the level two years ago.

Can Standard's manage*ment handle this expansion?* Its acquisition record, after all, is not that bright. It bought the Hodge Group for a fancy price a matter of weeks before the secondary *banking crisis in 1973,* and took years to get something like an acceptable return on its investment. Its U.S. bid was made at an early stage in the wave of foreign takeovers, and so was not too extravagantly priced, but its performance last year was disappointing in a tough climate for U.S. banks.

Mr. Peter Graham, the group managing *director,* said yesterday that the bank was run with a large measure of decentralisation. The group *was responsible for such mat*ters as capital allocation and setting overall risk limits, but local managers were given considerable discretion. "In the larger group, we will be looking to the Royal Bank for a lot of management," he added.

But there was a clear case for better market identification around the world, Mr. Graham said. If the bid goes through, the bank will be trading under half-a-dozen well known names around the *world, and the objective is to* find a name that will be recognisable in some form everywhere.



Graham Lever

Standard Chartered wants the Royal Bank because, in the words of Lord Barber, "very few major international banks do not have a substantial domestic base." The lack of such a base hitherto had handicapped the bank in areas like export and project finance, and also in corporate lending. The two groups made just about a perfect fit, Lord Barber claimed.

But the sharp fall in Standard Chartered's share price yesterday suggests the City may take a different view. The bank has already made two substantial share issues to fund its expansion, and yesterday's bid stands to increase its outstanding equity by just over a half.

In addition to all this new paper, stock market analysts are uncertain about the decision to expand in the UK at a time of recession, falling *interest rates, and windfall* profit taxes.

Lord Barber may need a politician's rather than a banker's skills to make his case *in the next few weeks.*

Richard Lambert

MEN AND MATTERS

Filling the jelle mould

After fifteen years as president of that most gnomic of financial institutions, the Basle-based bank for International Settle*ments, 62-year-old Jelle Zijlstra* this year reliquishes the job upon his retirement as governor of the Dutch central bank.

His successor at BIS will be chosen from the tight circle of European central bank governors who form the main bloc on the BIS board. Since half the possible contenders including Britain's Gordon Richardson, *are too old,* the short list can be no longer than Karl Otto Poehl (West Germany), Carlo Ciampi (Italy), Renaud de la Genière (France) and Lars Wohlin (Sweden)—and Zijlstra's successor in Amsterdam former Dutch Finance Minister Willem Duisenberg. (The previous BIS chief was a Dutchman too).

During what must be nearly 150 of those lavish informal dinners at the central bankers' ten-times-yearly BIS meetings, one-time Dutch Prime Minister Zijlstra has helped patch up everything from rows over the gold price and wrangles on the sterling balances to loans for Turkey and Portugal.

His prize performance came at last year's 50th anniversary meeting of the BIS when he laid on a gala concert by the Amsterdam Concertgebouw, specially flown in to celebrate the occasion.

Zijlstra courts the limelight only at his yearly sotto voce Press conference held near the bar of Basle's Hotel Euler after the BIS annual meeting — the only time the bank officially imparts information. With the air of a quizzical schoolmaster instructing a slow-learning class, Zijlstra administers careful correctives to impatient seekers of the truth about Eurodollars, intervention swaps and currency stabilisation schemes.

The BIS was not always so cagey. Its first president, the American Gates McGarah, *actually went to the lengths of* making a radio broadcast in 1931 to plead for greater understanding on war reparations. The bank's reputation for discretion has however grown with its balance sheet — now over $50bn.

Lively company

The Department of Trade report on the United Industrial Company Limited is a flavoursome document which, while not perhaps up to the standard of Heyman and Slimmings on Lonrho, is every bit as captivating as Millet and Bowie on Darjeeling Holdings.

UIC went into Receivership in 1976. For the last two years of its life, chairman Dennis Hillman-Eady effectively managed the Leeds-based toiletry wholesaling business by telephone from Monaco, say *the inspectors. The story* is rewardingly long and complicated, with the traditional company Rolls-Royces and Jaguars purring across its affidavit-strewn pages. But for no more than a glimpse into the troubled world of UIC, the following passage will serve. Alan Ashley, the then deputy chairman of UIC, recollects the day on which he learned that Deryck Winbolt-Lewis—"the first time that I had ever met the man. . . . He meant absolutely nothing to me"—planned to join the UIC Board.

"Well, I said 'In the first place, it isn't within Hillman-Eady's power to say you are going to come on to the Board; it's for the Board to say, and in any event, even if you came on you would have to stand up at the next AGM to see what happened. I certainly have no authority and no way of discussing an agreement with you.' I said, 'You must realise that.' *He said, 'Well, Hillman-Eady* says he can do whatever he likes, and if he said I'm on the Board, I shall go on the Board, and I'm going to go on the Board.' So it was rather a difficult luncheon, as I'm sure you will appreciate. I said, 'What are the sort of bases you are going on the Board? I mean, what has allegedly been talked about? What is this?' He said, 'Well, I'm going to get five thousand a year, plus a car, plus a pension scheme, plus expenses for my wife, who is my secretary, and one thing and another.' That was about it, I think. I said, 'Well, I'm sorry. . . .' So I left it there in the end."

Legal fiction

Who but a lawyer could conceive the idea of using a copy of the 1977 Finance Act as an aid to seduction?

A novel use of a statute, indeed—novel being the operative word, for the ploy appears in a witty murder mystery written by Sarah Caudwell, a pseudonym barely concealing the identity of the deputy legal adviser to the trust division of Lloyds Bank.

"Thus Was Adonis Murdered" *has a lady barrister from Lincoln's Inn* luring a personable young tax inspector (the Adonis of the title) to her hotel room on the pretext of settling a legal argument by reference to her copy of the Act.

Miss Caudwell, formerly in chambers in Linclon's Inn, was able to call upon the services of several of her erstwhile colleagues, some of whom read the proofs of the novel for her, while others can be discerned, thinly disguised, among its characters. Identifying the originals is likely to become a popular pastime in the Inn.

As a writer Miss Caudwell has an interesting literary provenance: her father is the iconoclastic journalist and novelist Claud Cockburn; her mother was Jean Ross, *upon whom* Christopher Isherwood based the character of Sally Bowles in "Goodbye to Berlin."

Clean bill

The late and generally unlamented President Herbert Hoover may at last be rehabilitated in the Republican era that has dawned on Washington. Senator Mark Hatfield, a Republican and a Hoover scholar, has proposed a Bill that would name the Commerce Department building after him.

This hardly puts Hoover in the same league as Lincoln or Jefferson, men with personalised monuments. But it would be a big step up for a man who because of his indelible associations with the great depression has nary a stone to his credit in the U.S. capital. The only architecture he is remembered for are "Hoovervilles"—tented cities of depression—era unemployed.

President Reagan has cause to be grateful to his Republican predecessor—if not for economic inspiration, for the Hoover Institution in California which houses no less than eight tons of his official papers as Governor of that State. So no opposition to the Hatfield Bill is likely from the White House.

Hoover, says Hatfield, was an outstandingly good Secretary of Commerce, before he became President (1929-33), and should be honoured as such. What the Senator does not say, however, is that Hoover was further proof, if that were needed, of the Peter Principle: Presidents rise to the level of their own incompetence.

Totting up

"How do you like your Scotch, sir."

"Oh, half-and-half—with lots of water."

Observer

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William Hall, Shipping Correspondent, says that unless decisions are taken soon, British Shipbuilders could face a new crisis

Why warship orders are in the doldrums

WITHIN THE next few months the Government and British Shipbuilders will have to face up to the looming crisis in Britain's warship building industry, which still ranks as the biggest in Europe and second only to that of the U.S. and the Soviet Union.

Already yards are beginning to run short of work and rumours are starting to circulate about substantial redundancies. British Shipbuilders admits that it has no idea of the level of warship orders envisaged for the next few years, and the Government itself seems none too clear.

Things have gone badly wrong for Britain's warship builders. Over the last couple of years the problems have been disguised as the yards worked their way through the spate of pre-election orders placed by the last Labour Government. Now that these orders are running down, the underlying problems are surfacing. They are:

- Fewer than 20 years ago, Britain supplied about half the warships sold in the world, outside the Communist bloc and the U.S. But over the last decade Britain has failed to win a single major warship order, in sharp contrast to other European shipbuilding countries.
- The cost of domestic warships is escalating at twice the rate of inflation. The last Leander class frigate cost £7m, seven years ago, while the latest Type 22 frigate costs £120m. At these prices the number of ships which can be built for a given sum of money is sharply reduced.
- There has been an extraordinary lack of liaison between the Royal Navy and British warship builders at senior level. As a result, the Navy has ordered ships which are too expensive for export markets.
- The Government is undertaking a major review of its defence requirements and this involves some hard decisions about how the Trident nuclear submarine programme will affect the existing programme of building warships. Inevitably, fewer ships will be needed than was thought likely a couple of years ago.

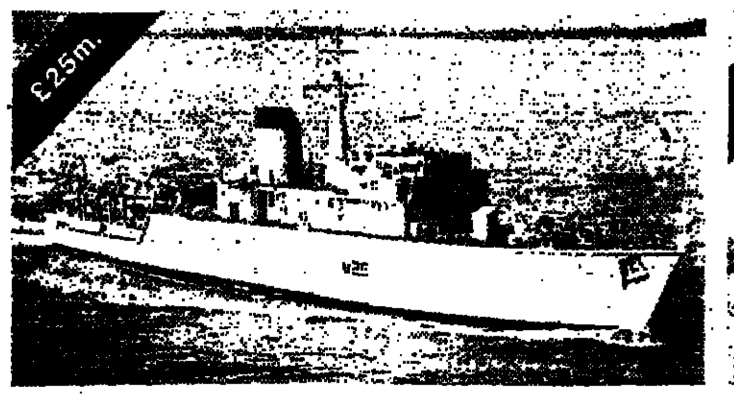
The warship crisis could not have come at a worse time for British Shipbuilders. Its merchant ship order book has sunk to the lowest level since nationalisation, it has largely missed out on the boom in offshore ordering and its ship-repair operations are being drastically curtailed.

Since shipbuilding was nationalised in 1977 the growth of warship orders has been the one bright spot cushioning the decline in merchant orders, and the only profitable part of the industry. The value of the naval order book is now more than three times the value of the merchant order book.

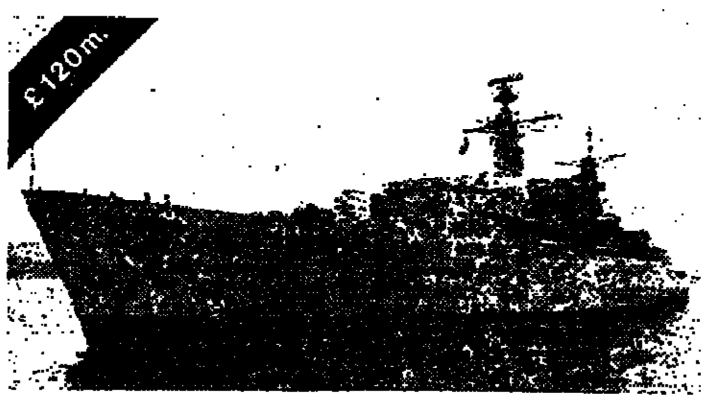
As merchant shipyards closed, workers were transferred to naval work with the result that 32,000 out of a total workforce of around 70,000 are now engaged on building warships. This compares with fewer than 20,000 on merchant shipbuilding.

Two-thirds of those employed on naval work are in the four leading warship building yards of Vickers, Vosper Thornycroft, Yarrow and Brooke Marine. The remaining 12,000 are employed on naval work in the mixed merchant/naval yards of Swan Hunter, Cammell Laird, Scott Lithgow and a few smaller yards. Well over half of the workforce in the mixed yards is engaged on naval work.

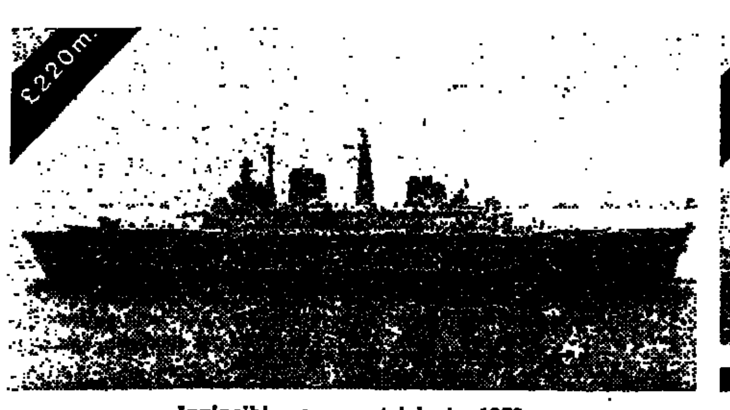
However, the numbers employed on building warships look set to fall significantly over the next couple of years unless there is a change in Government policy. The cuts could easily overshadow the recently announced redundancies in merchant shipbuilding and ship-repairing.



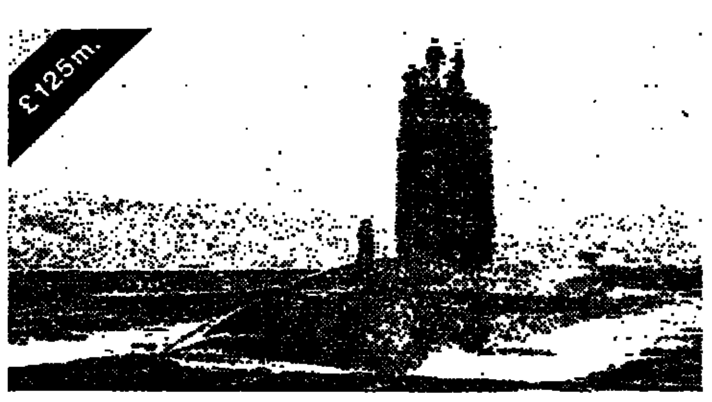
The Brecon, a minesweeper built by Vosper



The Yarrow-built Broadsword



Invincible, on sea trials in 1979



One of the Navy's four Polaris submarines

Vickers and Vosper have fairly full order books which will ensure continuity of employment for their 14,000 workers, but Yarrow, Brooke Marine, Swan Hunter, Cammell Laird, Scott Lithgow and Hall Russell are now feeling the impact of the downturn.

Normally, the yards could expect orders for two to three frigates or destroyers, one nuclear submarine, a couple of mine-sweepers and assorted auxiliary craft every year.

However, since the Government came to power nearly two years ago it has ordered only one nuclear submarine (£125m), one seabed operations vessel (£80m) and four minesweepers (£100m). After considerable delay, it bought two cheap offshore patrol boats (£18m), which British Shipbuilders was building for stock, and although it ordered a fleet tanker last July, it has still not signed the contract.

The recent dearth of warship orders has undermined the assumptions behind British Shipbuilders' first corporate plan of December, 1978.

The plan entailed a reduction of one-third in merchant shipbuilding capacity over the period 1978-1980 and the loss of 10,000 jobs. However, the net job loss was reduced to 6,000 by an increase of 4,000 jobs on naval and offshore work.

British Shipbuilders agreed to increase its naval workforce in the mixed yards to between 14,000 and 15,000, and in July, 1979, the new Conservative Government promised to "advance public sector orders where practicable."

But the Government's reluctance to place new warship orders is partly because of the sheer cost involved. A new aircraft carrier, like HMS Invincible, costs £220m and a nuclear submarine costs £140m. Even a humble mine-sweeper costs £25m.

The failure to win export orders for warships is partly the result of the strong pound, long delivery times and cost. But the Royal Navy must also shoulder much of the blame.

Its policy of ordering highly sophisticated ships has seriously impeded British shipyards' efforts overseas. Most countries in the market for warships want much cheaper and simpler vessels. In addition, they often want them in a hurry and are not prepared to wait six years for delivery.

The Navy and the Government, unlike the French, for example, have never given priority to building ships with good export potential. The Netherlands recently won an important order for Kortenaer class frigates for Greece, mainly because it could offer delivery virtually off the peg. A ship earmarked for the Dutch Navy was sold to the Greeks. That sort of co-operation would not be given by the Royal Navy.

UK shipyards have tried to sell simpler prototypes overseas, but foreign governments are not keen to buy ships which have not been proven in service with the British Navy.

At one stage the Navy showed interest in collaborating in ordering a much cheaper frigate, the Type 24, which it would employ if no foreign buyer materialised. However, the idea was dropped after a change of naval chiefs.

The Navy has gone nuclear since the 1960s, but there is still a major market overseas for traditional diesel electric submarines. Britain is one of the few countries that can build these vessels. An order for a Type 2400 conventional submarine, the successor to the Navy's Oberon class, is long overdue. Delays in placing the first order are reducing export possibilities.

Yet another area where the warship building industry has suffered from the lack of naval or Government support is in joint ventures with other European countries. The Army and Air Force have reduced their equipment costs by entering into European collaborative contracts which spread overhead costs and risks. The Navy, however, has stood aloof from European joint ventures in building warships.

The Belgian, French and Dutch navies, for example, are jointly producing a fleet of 40 mine-hunters.

Over the past 18 months shipyards in France, Italy, Holland and Germany have won export orders worth close to £2bn for 11 frigates, four submarines, 10 corvettes, three supply ships and several fast patrol boats. The only UK yard to have gained any orders of note is Vosper, which has won around £100m of export orders over the past couple of years.

But the biggest potential problem may be yet to come. The Government's decision to go ahead with the Trident nuclear deterrent programme could lead to fundamental problems for Britain's warship builders.

To date, the Government has said little about the project. The size and number of submarines (four or five) have still to be announced. While the provisional cost of the programme is estimated at £5bn at July 1980 prices, the end cost could be very much higher especially if bigger submarines are built.

The only thing certain is that the nuclear submarines (SSBNs) will be built at Vickers shipyard at Barrow-in-Furness, Cumbria. However, no public announcement has been made about the impact of the Trident programme on current plans to build the Trafalgar class hunter/killer nuclear submarines (SSNs) and the plans for the new conventional Type 2400 submarine (SSK).

If these plans go ahead, the Government will probably have to reactivate the submarine-building facilities at Cammell Laird (nuclear) and Scott Lithgow (conventional).

Urgent decisions need to be taken if both yards are to be used for submarine building, or the skilled staff will soon be disbanded. Many are already being kept on in the hope of more work. Given its financial problems, British Shipbuilders can ill-afford these costs and urgently needs a clearer idea of its future.

Letters to the Editor

Taxes and benefits

From Mr. Frank Field, MP

Sir,—Again Samuel Brittan highlights what the Government publicly says it wants from the tax system, while giving continual support to a system of taxation which bears very little resemblance to those objectives (March 11). In particular he singles out for special mention the support from this Government for a whole host of tax benefits, whether they be for mortgage interest relief, pension funds, insurance policies and the like.

Instead of taking a critical look at this tax benefit welfare state, the Government has found itself on the logical treadmill of extending the allowances to other areas. As a result of the continual uncontrolled growth of the tax benefit welfare state, over half of personal incomes are exempt from taxation. Given that governments (at least in the short run) need to raise a certain amount of money, this can only be found by increasing the rates of tax on a smaller tax base, or by an increase in borrowing.

There are three major disadvantages of the present tax benefit welfare state. It narrows the tax base and therefore results in higher marginal rates of tax. It redistributes the tax burden in an unplanned way, and not always in the direction which Parliament intended. It also profoundly distorts the capital market, for one has to be almost just plain dotty to save in ways which the Government do not subsidise by one or other of the tax benefits.

There is growing agreement that the tax benefit welfare state should be reformed, but as yet there is no agreed policy. It would be as absurd as it would be unjust to abolish these tax benefits overnight. People's expenditure patterns have been set knowing that they are entitled to a whole range of reliefs.

One radical proposal which I have spelt out in some detail recently (in *Inequality in Britain*, Fontana) is for a cash ceiling to be applied to all the non-personal tax benefits. This would mean that had the policy been operating last year a cash ceiling of £1.4bn would have been placed on mortgage interest relief. Building societies would have then had the job of spreading this tax benefit over all those who borrow from them. In time inflation, and other pressures, would see the virtual abolition of these benefits.

Such a reform would prevent the tax benefit welfare state growing like topsy. It would also significantly increase the amount of revenue coming to Government. I would favour some of this revenue being used to clear a national minimum on which people can build by their own efforts. I would also favour some of the increased revenue being used to cut the rates of tax. The balance between these two objectives is a proper matter for debate, but I hope there will shortly be a growing consensus for reform of the tax benefit welfare state along the lines I have described.

Frank Field.
House of Commons, SW1.

Saga of the Savoy

From Mr. J. M. Munzel

Sir,—When I boarded my London bound flight in New York on Friday the 13th, planning on my usual spring holiday at The Savoy, little did I realise what mischief was afoot in the inner recesses of the mind of Sir Charles Forte.

My first hint of what was up, came from my taxi driver, a delightful gentleman, who mentioned in passing that The Savoy was about to be sold.

Now, I am one of The Savoy's smaller shareholders. I bought that stock because I liked the hotel—the way it was; the management, the thoughtful service, the friendly atmosphere and perhaps, most of all, a sense of history—a feeling that in a tinfoil and plastic world, there was still one last bastion of truly gracious living, a hotel where one could kick one's shoes off, look around, and say, "Hey—this place is pretty nice."

If I understand correctly, Sir Charles would like to change all that. He's obviously cast his eye up and down the balance sheet and decided that he is just what The Savoy needs and that with a wave of his hand he can turn red ink into black.

It's that "wave of the hand," I'm worried about. I've seen what it can do. When I last stayed at the George V in Paris, there were holes in the sheets. The service was efficient, but cold. The lights in my room were dim and the food was indigestable, but anyone who can read a ledger knows that the George V turned a profit and I, for one, know how!

Sir Charles already *has* over 200 hotels in Britain alone. He's truly a fortunate man. May he live long and prosper.

He can have as many hotels as he wants, but, by God, he can't have mine! I have only a few votes but those votes are firmly pledged to the present management of The Savoy. Sir Charles could offer me the whole £58m for my votes but he couldn't buy them—and I could use the money! Before he cuts another 7 inches off *my* bed sheets, he'd do well to mend his own.

We Americans started out as rebels—and we had a cause, a pretty good one as it turned out. Sir Charles ought to know better than to get Yanks, at least one of them, "het up." But he's gone and done it.

Well, to quote a certain Yankee from that other scrap "If he means to have a war, let it begin, now!"

I would like to propose that Savoy shareholders plow whatever dividend may accrue this year, right back into the company. The Savoy is worth it.

Joseph Max Munzel.
1032, Madison Avenue, Plainfield, New Jersey 07060, U.S.

Come here Joe Smith

From the Chairman, BSC (Industry)

Sir,—Your feature article on March 14, about the perils of small business after the Budget, has one huge omission. Joe Smith, your mythical small businessman who went bust, did not consult the right people.

Had he done so, as thousands have, he would have had his market survey and his viable financial plan and a proper balance of equity and loan capital.

This is a very special expertise and [illegible] brought his new small business to one of the 12 former steel sites up and down the country, he would have lived and flourished like the green bay tree.

Please send the next Joe Smith to us.

(Sir) Charles Villiers.
42 Grosvenor Gardens, SW1.

Voices at Lloyd's

From Lady Middleton

Sir,—Correspondence in your colums following upon an extraordinary general meeting of the Association of External Members of Lloyd's requires that the record be put straight.

Seventy-five members of the association attended the meeting; some 50-75 who are not members also attended. A resolution which supported the officers, including myself, in our work with respect to seeking to improve the Lloyd's Bill, was carried on a show of hands 53 for and 29 against; these figures include proxy votes held and cast by some members; I announced to the meeting that in addition I held 60 proxy votes. Accordingly, the resolution was supported 113 to 29 against; the register of membership stood at 303 as of the date of the meeting.

There was no suggestion that all the funds of the association would be expended on costs of the petition to Parliament.

J. Middleton.
Birdsall House, Malton, North Yorkshire.

From Mr. John Follows

Sir,—The letter from Mr. R. K. Nesbitt and others (March 14) illustrates some confusion in the minds of the writers, for the following reasons:

1. In the general sense, Lady Middleton and her supporters are not opposed to the Lloyd's Bill. However, by due process of parliamentary procedure, they are seeking logical and reasoned amendments to the Bill.

2. Lady Middleton and the Association of External Names of Lloyd's purport only to represent the interests of the members of that association, and the suggestion to the contrary by your correspondents is erroneous.

3. The application by the Society of Lloyd's to Parliament for the enactment of a Bill is a political act. The infant association seeks to amend that Bill: thus, this is also a political act. The writers must appreciate that immediately Sir Henry Fisher's Report was published and found "overwhelmingly favourable" by the Committee of Lloyd's, all actions flowing from it towards Parliament are, of necessity, political in nature.

4. I find it difficult to accept that members of what is, by definition, the wealthiest socio-economic group in the country, should find £50 a "high subscription." This seems to be a contradiction in terminology.

5. In a democracy, Lady Middleton is entitled to express her views; and if it be only in association with some 500 members of Lloyd's out of a total of 16,000 external Names, then it is still entirely right and proper that she should be heard.

6. Even a Humble Prayer represented by a Petition to Parliament, of necessity, costs money; those of us who are pre[illegible]ton's views will subscribe that money.

Lady Middleton and her colleagues have made it publicly clear that they only wish to improve the Bill before Parliament. No reasonable person can truly resent the amendments that the Petition seeks. It feels that Lloyd's should not attempt to place itself above the law: it seeks to prevent incestuous relationships and obvious conflicts of interest; it looks, inter alia, to ensure that the great majority of Names, who (financially) control the base of Lloyd's, should be fairly represented. Surely, no impartial person can object to these aims? However, it is now unlikely that Parliament will allow the Petition to go by unheard. Certainly, the vast majority of the membership voted for a new Bill (myself included); but Lloyd's goes before Parliament as a supplicant on self-regulation, and the Bill must be open to democratic debate and, if need be, amendment. Parliament may feel that the establishment of Lloyd's can continue to govern itself only if it listens thoughtfully to others.

John Follows,
Old Mead, Elsenham, Nr. Bishops Stortford, Herts.

Liberal democrat

From Mr. Christopher Mayhew

Sir,—Your political editor, Malcolm Rutherford, in an otherwise admirable review of Crossman's Backbench Diaries (March 7), describes me as a social-democrat.

When I left the Labour Party in 1974, I gave the same reasons as the gang of twelve ("The Party has become too vulnerable to the extreme left and too dependent on the unions.... We need a revolt of the centre against the extremes. We must end the old Tory-Labour confrontation which sets one half of the country against the other"). But unlike my old colleagues I joined the Liberal Party and am an active member of its National Executive.

Christopher Mayhew.
39 Wool Road, Wimbledon, SW20.

Demographic revolution

From the Director of Information, Company Pensions Information Centre.

Sir,—It seems awfully short-sighted of Raymond Nottage to claim (March 11) that, "The policy of trying to meet more than one generation's needs out of a single generation's resources would be extravagant at any time. Now . . . it is reckless to the point of folly." We cannot stop paying for the pensions of the previous generation through the state scheme because if we stop paying contributions that will be the end of their state pensions.

If, however, we decide that we do not want to rely entirely for our income in old age on what our children are both willing and able to pay, but we decide instead to set aside resources now to provide additional incomes later then that is surely a prudent course of action.

M. J. Brown.

Today's Events

GENERAL

UK: Confederation of British Industry monthly council meeting, London.

City of London Corporation banquet in honour of President Shehu Shagari of Nigeria, Guildhall.

Mr. Ian MacGregor, British Steel Corporation chairman, and Mr. Robin Leigh-Pemberton, National Westminster Bank chairman, are among speakers at Institute of Credit Management conference, Hilton Hotel, W1.

Mr. David Howell, Energy Secretary, speaks at Institute of Directors lunch, SW1.

Mrs. Barbara Castle, MEP, speaks on should Britain leave the Common Market? Middleton.

Shell UK announces financial results.

Sir Larry Lamb, News Group Newspapers deputy chairman, speaks on Fleet Street, St. Lawrence Jewry Lenten lecture, 1.15 pm.

London Chamber of Commerce conference on trade and transport in the Middle East and North Africa.

Dunlop prosecuted for health and safety offences, Barnsley.

Prince Philip presides at Central Council of Physical Recreation annual meeting, Fishmongers' Hall, EC4.

PARLIAMENTARY BUSINESS

See Parliamentary News on page 12.

OFFICIAL STATISTICS

Cyclical indicators for the UK economy for February. Indices of average earnings for January. Indices of basic rates of wages for February.

COMPANY MEETINGS

Gopeng Consolidated, 65 London Wall, EC, 12.15. Ernest Jones (Jewellers), 116 Pall Mall, SW, 12. Y. J. Lovell, Portman Hotel, Portman Square, W, 12. F. Pratt Engineering, Grosvenor House, Park Lane, W, 12. Saatchi and Saatchi, Savoy Hotel, Strand, WC, 12. Union Discount of London, 39 Cornhill, EC, 12.

COMPANY RESULTS

Final dividends: Banro Consolidated Industries. BSR. Cement-Roadstone Holdings. Dickinson Robinson Group. Guest Keen and Nettlefolds. J. Hewitt and Son (Fenton). John I. Jacobs. Jamesons Chocolates. A. A. Jones and Shipman. Hugh Mackay. J. N. Nichols Vimto. Thomas Tilling. Interim dividends: Bejam Group. Lawtex. Trafford Park Estates. James Walker Goldsmith and Silversmith.

UK COMPANY NEWS

Brooke Bond fall masks growth on grocery side

ALTHOUGH pre-tax profits of Brooke Bond Liebig fell from £24.21m to £19.33m in the six months to December 31, 1980, comparison is made difficult by the fact that the first half of last year was favourably influenced by the deferral of advertising expenditure, due to the independent television strike, and higher than normal sales of imperial packs of tea prior to metrification.

However, adjusting for these factors, the directors report that grocery trading produced higher profits offset by somewhat lower returns from meat interests.

The overseas distribution companies recorded good results, with France and South Africa showing strong improvements. Further benefits accrued from loss elimination in the Argentine, but plantation profits were adversely affected by falling crop prices and higher costs.

Sales for the half year declined from £342.78m to £325.99m, with UK trading profits slipping from £14.8m to £11.93m and overseas from £11.32m to £10.85m.

Mainly due to the purchase of the group's initial investment in Mallinson-Denny, interest charges increased from £1.93m to £3.47m. The directors report that the integration of Mallinson is proceeding as planned, following the completion of the acquisition on January 26, 1981.

As was anticipated at the time of the offer, the company has continued to experience difficult trading conditions.

Reiterating their intention to pay a total dividend of not less than last year's 3.905p net, the directors have declared an unchanged interim of 1.25p, costing £3.83m (£3.23m).

See Lex

HIGHLIGHTS

Lex discusses the £28m rights issue by IMI in the light of its profits downturn from £34½m to £28¼m pre-tax and the level of dividend cover. At *Brooke Bond Liebig* there is a fall in half time profits from £24.2m to £19.3m. However, this masks a solid enough performance stripping out the exceptional factors of a year ago. The company's *main strength has come* from tea in the UK. Finally Lex takes another look at the banks following the disclosure of the terms of Standard and Chartered's bid for Royal Bank of Scotland and news that Lloyds Bank is putting in a 200p offer for the shares in Lloyds and Scottish it does not already own.

London Scottish Finance up

THOUGH finance costs were up from £487,000 to £568,000 London Scottish Finance Corporation pushed taxable profit up £55,900 to £406,500 for the half year to January 27, 1981. The net interim dividend is being lifted to 0.6p, against 0.525p.

Turnover for the six months reached £3.76m (£3.23m) and *the profit, before finance costs,* rose from £837,600 to £974,500.

The attributable surplus came out at £286,500 (£236,600) after tax of £120,000 (£114,000) and the retained balance was £215,816 (£181,417). Dividends absorbed £70,684 (against £55,183).

The interim payment is being made on capital increased by the issue of 1.11m shares on conversion by holders of *£250,000 subordinated convertible* unsecured loan stock on the basis of 22.5p of stock for each 10p ordinary share.

The total dividend for 1979-80 was 2.025p, paid from profit of £829,010.

Record house sales puts Barratt higher at £11.9m

PRE-TAX profits of Barratt Developments, builder and developer, rose from £11.56m to £11.89m in the half-year to December 31, 1980. Turnover advanced from £103.37m to £128.56m.

Mr. L. A. Barratt, the chairman, says a record number of houses were built and sold, through a *national increase in* market share, particularly in Southern England.

He says contracting activities are showing a marked imrovement with satisfactory profit and a strong forward order book. Sound progress is being achieved in both property conversion and leisure property.

The group's current trading remains strong. Unused bank facilities of almost £50m, coupled with an excellent land bank, will enable it to take advantage of the markedly improving trading climate, he adds.

As stated at the time of the scrip issue, the group is declaring an interim dividend of 3.5p, *which represents a 25 per cent* increase over the comparable dividend last year. The board expects that the final dividend will also show a comparable increase to last year's adjusted 7.08p. Dividends absorb £1.66m (£1.33m).

No tax was payable in the first *half* against £2.3m last time.

Mr. Barratt says the planned expansion of the group's property investment portfolio has continued and it is on target to achieve a rent roll of £4m by June, 1982. The current programme of industrial and commercial developments includes an increasing number in London and the South East.

The group's initial U.S. acqui*sition in Southern California is* now commencing expansion. The second acquisition, in North Carolina — McKeon Construction — is due for completion shortly. The maximum consideration for McKeon is $32m, as already announced. In the nine months to November 30, 1980, McKeon's unaudited net earnings after tax were $3.2m.

Demand falling at Camford

DEMAND is still falling and customers' stocks are now at very low levels in relation to their output says Mr. Lionel Citroen, chairman of Camford Engineering, in his annual review.

He says these poor trading conditions are currently compelling the group to concentrate on marking time and achieving a position which will enable it to survive the recession with confidence.

A number of steps have been taken, he says, to stabilise the group and to enable it to weather the storm. Significant reductions have been achieved in stock levels, capital investment has been severely cut and redundancies among the workforce are unavoidable.

There are some indications, however, that the substantial de-stocking in the automotive industry is slowing down, although depressed trading conditions are continuing to squeeze margins.

Problems, he adds, create opportunities, and the group is taking advantage of these as they arise. "All available steps are being taken to reduce the group's borrowing requirements. In addition, banking arrangements are being restructured so as to place a substantial proportion of its borrowings on either a medium or long-term basis.

"Adequate unused overdraft facilities are available to the group," he says.

Pre-tax profits for the year to September 30, 1980, were down from £2.54m to £921,000.

Camford Engineering manufactures metal pressings, stampings, machine parts and assemblies.

AB Electronics slips into red

RISING costs and falling demand have left AB Electronic Products Group with a pre-tax loss of £565,411 for the first half to the end of 1980. This compares with profits of £395,254 for the corresponding period in 1979 and £918,000 for the whole of the last financial year.

While the few remaining months of the current year will be profitable, say the directors, they cannot eliminate the loss suffered in the first half.

The interim dividend is cut from 3p to 0.5p net—last year's final was 4.5p.

The directors blame the downturn in profits on low component demand from British manufacturing industries, the defence spending moratorium, reduced volume and margins on exports due to the strong pound and foreign competition, and substantial increases in interest, depreciation and redundancy costs. Because of under-utilisation, previous high capital investments are also proving burdensome in the short term.

Anticipating a permanent decline in the market for certain components, the group has scaled down the activities of its Welsh factories, reducing the workforce by 860 in 18 months. In addition, the number of overhead personnel has been substantially cut for an annual saving of £360,000.

The first-half loss was struck after interest charges up from £76,361 to £218,228, depreciation of £458,322 (£361,481), tool write-off £188,895 (£201,911), plant hire £133,898 (£79,774), and redundancy costs £204,223 (£20,921).

Tax *took* £40,000 (£104,000), and earnings per share are shown as nil against 7.6p.

Turnover eased from £10.58m to £10.43m.

The directors say adequate finance is available to meet foreseeable requirements and a medium-term loan facility of £1.5m has yet to be used.

A new purpose-built microcircuit plant has been set up in Austria and is now operating on pre-production runs against firm requirements.

● comment

For an electronic components company, AB is looking distinctly low on voltage. The group's £1m downturn into loss is very poor and illustrates the bottom of the five-year UK cycle. AB has been particularly hit because of its large dependence upon radio, television and automotive customers for its component products—these unfortunate consumer-linked businesses have sent AB's controls division into loss. The Government's defence spending cuts also hurt the company. AB has been rationalising in South Wales and made about 350 workers redundant in the past six months. Its large-scale capital expenditures, meanwhile, are unlikely to pay off in the near term, except in Austria. In the UK, the group lacks orders and will be lucky to end the year with a pre-tax loss of £200,000. The interim dividend has been slashed and only a nominal payment at the final stage seems likely. Optimistic shareholders must now think 1982. At 106p, up 2p yesterday, the group is capitalised at just over £4m.

ACI forecast

American Communications Industries (ACI) is expected to break even for the last two months of 1980, not, as stated in the Financial Times yesterday, *for the full year.*

ACI expects to have a net income for 1980 of about $1.63m as against the directors' profit forecast of $2.28m, which was made in November 1980 in an offer for sale.

Marginal rise for Fairclough

Pre-tax profits of Fairclough Construction Group, the civil engineering and building contractor, were marginally higher at £10.27m, compared to £10.17m for the year to December 31, 1980, on turnover up from *£237.47m to £264.05m.*

But the contribution to group profits of associated companies was down from £2.77m to £990,000.

Tax took £2.02m against £3.13m last time but the release of deferred taxation of £10.34m (nil) boosted attributable profits to £18.05m (£7.04m) after an extraordinary debit of £535,000 (nil).

The final dividend is raised to 2.85p (2.35p), making a net total of 4.5p against 4p in 1979.

Earnings per 25p share increased sharply to 42.34p from 16.03p after inclusion of the deferred tax release. Before inclusion of the tax they were up at 18.79p (16.03p).

In a statement to shareholders, Mr. Oswald Davies, chairman, reports that the group has a satisfactory level of work on hand. Liquid resources are very strong and there is a significant increase in cash.

He says assets per share have risen to over 110p.

● comment

The efforts of Fairclough's wholly-owned businesses, which have pushed operating profits ahead by a quarter, have been put back by a sharp slump in the contribution from the Al Midani associate and group profits overall are barely changed. Fairclough, however, remains relaxed about its associate income in the knowledge that the incidence of contract completions is expected to be favourable again in 1981. Elsewhere work on hand is just about holding up and the group appears to have less reason this year to complain of the delay in contract payments. Its work on debtors has succeeded to the extent that net cash balances *have broadly doubled to about* £12.5m. That, at the very least, underpins the dividend which yields 7 per cent and the track record suggests that profits will climb steadily again from the first stages of economic recovery. The shares are a firm hold on a p/e of 8.2 fully taxed at 95p, up 12p yesterday.

Standard Life funds rise by £400m

THE TOTAL value of funds with Standard Life Assurance Company advanced by nearly £400m to £2.92bn in the year to November 15, 1980. Premium income rose by 16 per cent from £333m to £385m and investment income by 12 per cent from £233m to £262m. Claims and expenses amounted to £253m against £218m.

The company last year invested £130m of UK new money in fixed interest securities, £67m in equities—of which £8m was overseas—and £40m in property. At the year end, the UK portfolio was invested 40 per cent in fixed interest, 35 per cent in equities—of which around one-sixth was overseas—and 25 per cent in property.

Business *showed* a good increase in Canada in the aftermath of problems concerning whether to continue operations there. New Canadian business last year was extremely buoyant following the introduction of new products and the expansion of the sales staff. Most of the investment there has to be in fixed interest securities, but the company has over C$200m invested in property.

Mr. George Gwilt, general manager of Standard, referred to the relationship between life companies and insurance brokers. He welcomed the system of registration and the encouragement given by the associations *for brokers to* register. Standard would refuse agencies to anyone or any firm tied to another life company, he said.

PORTALS HOLDING

Mr. J. J. L. G. Sheffield, chairman of Portals Holdings, holds 61,500 shares in the company and was therefore entitled to take up £30,750 of 9.5 per cent 1994/2000 convertable unsecured loan stock under a recent rights issue.

As known, he has sold his rights to £11,250 stock and has taken up £19,500 stock.

Ductile Steels suffers reverse

THE SEVERE recession and a sharp escalation of energy costs plunged Ductile Steels into the red for the half year to December 27, 1980, in spite of heavy redundancies and short-time working.

Payment of the interim dividend has been passed by the Midlands-based steel products manufacturer and engineering group until the results for the full year are known and the directors are in a position to assess future prospects. In the previous year, the interim was 2.1187p and the net total 7p.

The group incurred a pre-tax loss of £1.49m, against a profit of £2.37m in the comparable period, after interest charges of £229,000 (£317,000).

Turnover for the half year was down £14.25m to £23.12m compared with the six months to December 29, 1979.

There was tax credit of £772,000, against a charge of £855,000 last time, and the loss attributable to shareholders was £713,000 (profit £1.52m).

Mr. R. Sidaway, chairman, says in his interim report, the group suffered acute shortage of orders because of the recession.

High energy costs coupled with the strong pound and high interest rates made exporting difficult, and at home the group had to compete with price cutting by the British Steel Corporation.

But Mr. Sidaway says the balance sheet remains strong and the group is continuing to tackle vigorously all the areas where economies can be made, "but as yet there are few signs of a general recovery in trade."

● comment

There has been ample evidence *recently that it is difficult* to make money in steel stockholding and rerolling, as well as in engineering, and even when it was announcing an unchanged final dividend last October, Ductile was not optimistic about the outlook. A decline into loss and "suspension" of the interim dividend have therefore not come as a surprise, even though this is the first loss for Ductile in 45 years. The news would *seem* to have been pretty well discounted by a 40 per cent drop in the share price since last autumn's preliminary figures, and the shares did not move yesterday from 44p. The most hopeful part of Ductile, its tubes division, remained marginally profitable, and there has been *some slight recent improvement* in the tone of the steel strip markets. This does not yet amount to a general upturn, and, while trading losses may be reduced in the second half, there could be more rationalisation to provide for by the end of the year.

AVANA CONFORMS TO CITY CODE

Avana Group has rectified the omissions in its recent letter to Robertson Foods' shareholders. It has now added the responsibility statement and the repetition of its forecast, required by the City code.

The omissions were gleefully *noted* by Robertson at the beginning of the week during an acrimonious exchange of exhortations to Robertson shareholders, ahead of the close of Avana's three-for-four all equity offer, for the "Golly" jam and preserves manufacturer on Friday.

SHARE STAKES

Paringa Mining and Exploration—National Mutual Life Association of Australasia, together with a subsidiary, is the beneficial holder following recent purchases of 872,050 (8.07 per cent).

Marley—Mr. J. E. Aisher, vice-chairman and his wife, Mrs. E. E. Aisher have made a gift of 1,700,000 ordinary shares to their son, Mr. P. A. Aisher; Mr. O. A. Aisher, chairman, and his wife, Mrs. A. Aisher have made a gift of 1,000,000 ordinary shares to their nephew, Mr. P. A. Aisher.

Danks Gowerton—Mr. T. J. Roe, director, acquired 70,000 ordinary shares.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
AB Electronic ......int.	0.5	June 2	3	—	7.5
Barratt Devels. ......int.	3.5	May 29	2.8*	—	9.88*
Broux Engineering	0.79	May 11	0.79*	1.08	1.08*
Brooke Bond ....int.	1.25	July 1	1.25	—	3.91
Burma Mines	0.75	May 14	0.63	0.75	0.63
Ductile Steels ......int.	*Nil*	—	*2.12*	—	7
Fairclough Construction	2.85	July 1	2.35	4.5	4
IMI	2.5	May 8	2.5	4.5	4.4
Ldn. Scot. Finance int.	0.6	May 15	0.53	—	2.03
Pittard	2.63	—	2.63	4	4
Stag Furniture	3.25	May 26	3.25*	5	5*
Waring and Gillow int.	1.5	May 19	1.5	—	5.5

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues.

SPAIN

March 17	Price %	+ or −
Banco Bilbao	290	
Banco Central	332	
Banco Exterior	262	
Banco Hispano	275	
Banco Ind. Cat.	127	−1
Banco Madrid	141	
Banco Santander	326	+1
Banco Urquijo	179	
Banco Vizcaya	310	
Banco Zaragoza	234	
Dragados	150	
Espanola Zinc	75	
Fecsa	59	+0.3
Gal. Preciados	31.5	−0.5
Hidrola	66	+0.3
Iberduero	57.2	+0.2
Petroleos	91.2	−1.8
Petroliber	70	
Sogefisa	87	
Telefonica	61.5	−0.5
Union Elect.	64.5	+0.3

M. J. H. Nightingale & Co. Limited

27/28 Lovat Lane London EC3R 8EB   Telephone 01-621 1212

1980-81 High	Low	Company	Price	Change	Gross Div (p)	Yield %	P/E
75	39	Airsprung	64	—	6.7	10.5	5.8
50	21	Armitage and Rhodes...	50	—	1.4	2.8	20.6
192	92½	Bardon Hill	189	—	9.7	5.1	7.1
98	88	Deborah Services	94	—	5.5	5.9	4.7
126	88	Frank Horsell	107	+1	6.4	6.0	3.4
110	39	Frederick Parker	42	—	1.7	4.0	18.3
110	74	George Blair	74	—	3.3	4.2	—
110	59	Jackson Group	107	+1	6.9	6.4	4.1
124	103	James Burrough	117	—	7.9	6.8	9.8
334	244	Robert Jenkins	324	−1	31.3	9.7	—
55	50	Scruttons "A"	51	—	5.3	10.4	3.7
224	215	Torday	215	—	15.1	7.0	3.7
23	10	Twinlock Ord.	10¾	—	—	—	—
90	69	Twinlock 15% ULS ...	72	—	15.0	20.8	—
56	35	Unilock Holdings	47	—	3.0	6.4	7.2
103	81	Walter Alexander	99	−1	5.7	5.8	5.5
263	181	W. S. Yeates	261	—	12.1	4.6	4.3

MINING NEWS

A new £121m mine for Amcoal

BY KENNETH MARSTON, MINING EDITOR

SOUTH AFRICA'S biggest coal group, Anglo American Coal Corporate (Amcoal), is to open up a new colliery at a cost, in 1980 money values, of R214m (£121m). The new mine, Goedehoop, will produce 3m tonnes of coal annually for export.

Mr. Graham Boustred, the chairman, says in the annual report that this is in addition to expenditure already planned of some R434m which will include the expansion of the New Denmark colliery and the development of the New Vaal colliery.

Taking all the group's projects into account the total value of the capital expenditure programme, which includes expenditure to be financed by customers, will be R1.06bn in 1980 money terms over the coming years.

During 1982 and 1983 Amcoal will thus need to raise medium and long term finance. Discussions are to be held with major banks in South Africa and with the parent company Anglo American Corporation for the raising of the required loan.

Last year Amcoal sold 33.7m tonnes of coal and coke, about 30 per cent of South Africa's total production of over 114m tonnes. Some idea of the group's potential can be gained by the fact that its coal reserves now amount to some 10bn run-of-mine tonnes and rights to a further 200m tonnes will be purchased this year.

South Africa's total reserves are reckoned to be in excess of 40bn tonnes and the capacity of the coal export terminal at Richards Bay is to be expanded from about 24m tonnes a year to 44m tonnes in 1984.

Mr. Boustred points out that against a background of erratic supply and pricing of oil supplies and environmental restrictions on nuclear power "all the indications are for a steady and substantial growth of coal as a primary energy source."

Amcoal's success in winning new domestic supply contracts and its participation in the export programme, "will result in its production increasing to over 60m tonnes a year and will provide a sound basis for substantial and sustained growth in the years ahead," says Mr. Boustred.

At the same time, however, it seems that the huge capital expenditure programme must dampen the growth of dividend payments. Even so, last year's 21 per cent rise in earnings to R79m was accompanied by a similar rise in the total dividend to 108 cents which was 3.1 times covered by earnings.

This cover would have fallen to 2.7 times if the new amortisation accounting policy, which has now been adopted, had been in force last year, reducing available earnings by about R10m. It is pointed out, however, that the new policy will have no effect on future dividends but will reduce the earnings cover.

As a result of Amcoal's share offer for Natal Anthracite, Amcoal has now become a subsidiary of Anglo American and is to move its financial year-end from December 31 to March 31 to match that of Anglo American.

The current accounting period will thus cover the 15 months to March 31, 1982. Accordingly there will be three dividends for the period payable in July, 1981 and January and July 1982. Thereafter, interim and final dividends will be paid in January and July, respectively. Amcoal were £12¼ yesterday to yield a modest 5 per cent.

Hammersley warns on pace of development

THE CONTINUED worldwide recession in the steel industry has led the Rio Tinto-Zinc group's Hammersley Holdings, one of the biggest producers of iron ore in Australia, to warn against the immediate development of major new iron ore deposits, reports our Sydney correspondent.

The warnings came from Sir Russel Madigan, Hamersley's chairman, in the company's latest annual report. Five leading groups are currently attempting to secure Japanese contracts in order to develop major new deposits in Western Australia's Pilbara region.

Sir Russel forecast a grim future for Hamersley, saying that weak demand, dampened by the recession, was keeping the company's output below capacity. He added that any increase in steel production or iron ore demand was unlikely to occur in Hamersley's main markets until well after 1981.

During the first quarter of the current year, Sir Russel said, some customers would only accept 60 per cent of the minimum tonnages for which they had contracted. "Premature opening of new mines would have the effect of perpetuating this situation," he said.

Hamersley is owned as to 82.3 per cent by CRA, which is in turn a 61.1 per cent-owned subsidiary of RTZ.

Strong improvement in Angico-Eagle profits

CANADA'S gold and silver-producing Agnico-Eagle has had a record year with doubled earnings thanks to the strength of precious metal prices. The recent forecast of Mr. Paul Penna, the chairman, is borne out with a 1980 net income of C$18m (£6.8m), equal to C$1.30 per share, compared with C$7.9m in 1979.

The company paid a maiden dividend of 10 cents (U.S.) in May 1979 and followed this with a second payment of 15 cents in May of last year.

Last month Mr. Penna said that the group's gold output would probably stay at around an annual rate of 60,000 ounces for the next few years, but he expected that silver production from the three Ontario mines would reach at least 600,000 ounces compared with the present 400,000 ounces.

Chairmen confident of longer term gold price

A confident view of the longer term gold price is taken in the latest annual reports of three of the South African gold mines in the Consolidated Gold Fields group, but no forecasts are ventured of earnings for the current year.

However, Mr. R. A. Plumbridge, chairman of the major East Driefontein mine says that while its 1981 gold production is expected to decline in line with the substantial tonnages of moderate grade ore made available in the past year, the effects of the recent fall in the gold price will be cushioned by slightly raising the ore pay limit.

Mr. C. T. Fenton, chairman of the young Deelkraal, expects that the installation of a primary rock crusher will raise the mine's ore milling rate in the third quarter to 120,000 tonnes a month from the present 105,000 tonnes maximum capacity. Gold production is expected to show a "significant" increase, but working costs will also be substantially higher.

Vlakfontein is to make all future distributions in the form of dividends, which are payable in commercial rand to overseas residents. This is because of a ruling that future capital payments to non-residents may only be made in the form of the lower value financial rand or held in blocked accounts.

ROUND-UP

The Rio Tinto Zinc group's big Bougainville copper-gold mine in Papua New Guinea has awarded a mandate to Bank of America and the Commonwealth Trading Bank of Australia to lead-manage and underwrite a new 10-year syndicated revolving credit facility for US$125m (£56m).

The facility will be used to fund Bougainville's spending programme, to supply additional working capital and as a buffer against fluctuations in cash flow caused by volatile metal prices and seasonal cash demands.

Bougainville is owned as to 53.6 per cent by CRA, which is in turn a 61.1 per cent-owned subsidiary of RTZ.

* * *

Canada's Abitibi-Price, which has mining interest as well as being the biggest producer of newsprint in the world, has had what it regards as encouraging results from deep-level drilling on a wholly-owned block in the Sturgeon Lake district of North-west Ontario, reports John Soganich from Toronto.

The company has encountered mineralisation at a depth of 2.050 feet averaging 5.07 per cent zinc, 1.26 per cent copper and 0.97 ounces of silver per ton over a true width of 40 feet.

Abitibi-Price was recently taken over by Olympia and York Investments, the Canadian property and resources group.

* * *

As expected, net profits of Australia's biggest coal producer, the U.S.-controlled Utah Development, fell by 12 per cent in 1980 to A$122.1m (£64m). The results were hit by the ten-week strike by mineworkers over government proposals to tax low-cost housing.

Utah operates the Blackwater, Goonyella, Peak Downs, Saraji and Norwich Park mines in Queensland. The company said that the strike cost is A$190m in lost revenue and 4.4m tonnes in lost production. Without it, profits would have been about A$30m higher.

* * *

The Kuwait Foreign Trading, Investment and Contracting Company and the French state-owned Bureau de Recherches Geologiques et Minieres have signed an agreement jointly setting up an international mining investment company in Paris with a capital of FFr 125m (£11m), according to the Kuwaiti organisation.

* * *

The small London-registered Malaysiam Tin recorded a sharp downturn in net profits for the six months to September 30, 1980. Net profits were £15,432, compared with £25,029

68 companies wound up

Compulsory winding-up orders against 68 companies have been made by Mr. Justice Nourse in the High Court. They were:

The Conwil Construction Company, Global Lighting, Clarke (Panels), Martin Gambrill, Folkestone Secretarial Services, Grose Plant Maintenance, O'Sullivan Bros. Transport, O'Sullivan Bros. (Plant Hire).

Taurus Livestock Marketing, Woods Timber Contractors (Newbury), Goodtrade Supermarkets, Sackson (Fashions), Tamira.

W. G. Batten and Co., Wally Hill Pipeline Services, Bruckshaw Properties, Established Estates (Ealing), H. P. Murphy and Partners.

Jaspenge, Squirejade, Dorienland, Sparkwise, Pinkerton Guards, Goodmayes Motors, Greenstar.

Licon Mineral Retailers, Mayland Tubrication, Russell and James (Plaques), Soni (Imp-Ex), Saffron Hair Design.

Accrington Rust Proofing, Ralpbet, Delphi (Marktforschung UK), Hardrich.

C. J. Norrington (Industrial Roofing), Abbey Asphalte Company, W. H. Lincoln, Arden Felt Roofing.

Owl Sportswear, The House of Plants, Barnett Christie (Insurance Brokers), Donby, Michael Barlow (Insurance Brokers).

Delta American Motor Homes, Flightray, Pedro Records, Danamec, Wes-Tric (Grinders).

Robert Knight Shopfitting, Street Level Artistes Management, Whelan Fabrications, Glinton Marketing.

Pricerite Marketing and Construction, Castle Industrial and Domestic Pipework (Walsall), Mercian Rural Crafts, Silpak Plastics.

Grebson, Douglas J. Maceachern, Bolttz Kitchen Designs, A.W.S. Vehicle Maintenance, Hythe Window Company, KUF Construction.

D.C.E. Electrical Industrial, Marigold Concessions (1977), Cropford, Unisped Spedition (UK), Stokesley Properties, and The Fexifoil Kite Company.

IMI down but continuing to invest

WITH REDUNDANCY and re-organisation costs trimming £5m from IMI's pre-tax profit for 1980 finished the year down from a record £34.54m to £28.24m. Reporting this yesterday, the former metals division of ICI announced its plans for a two-for-seven rights issue to raise some £27.5m.

A same-again final dividend of 2.5p slightly increases the net total to 4.5p. The directors hope to maintain this level in the current year providing the recession does not deepen or something unforeseen occurs.

External sales volume over the 12 months dipped 5 per cent but the value was up 3 per cent at £629m with the export content 19 per cent better at £135m. In sterling terms sales by overseas manufacturing units rose 7 per cent but homes sales slipped 3 per cent, and profits margins were squeezed harshly in many of the company's markets.

Midway profit had climbed from £13.6m to £17.1m.

Sir Michael Clapham, the chairman, says that activity has, so far in 1981, not improved from the low level seen towards the end of 1980. Maintenance of profit performance will depend on some recovery of volume in the second half he says, warning that: "it is difficult to predict, with confidence, that this will occur."

The chairman adds: "I am convinced that IMI has the resources of management, plant and products in diversified but inter-related business areas to prosper as UK industry recovers from its present difficult position."

Meanwhile further reductions of the UK workforce which was cut by 3,500—14 per cent of the total—in 1980, are inevitable, he says.

Stated earnings per 25p share fell to 10.8p (15.7p) before extraordinary credits of £1.06m (debits £3.29m), or to 11.3p (14.1p) after those items. The tax charge was £5.69m (£3.26m) with a release of deferred tax of £10.5m almost offsetting a £11.3m ACT write off.

On a current cost basis, in accordance with the latest accounting standard, pre-tax profit is reduced to £7.7m.

The group share of associate's historic profits fell from £2.1m to £0.6m. A £1.8m provision (£2.2m) has been made for the group employees profit sharing scheme.

Attributable earnings emerged down at £23.49m, against £29.37m, after an £883,000 loss on metal stocks (£827,000 gain), minorities of £765,000 (£554,000) and extraordinary items.

After dividends of £9.39m (£9.17m) the retained balance came out at £14.11m (£20.2m).

Year-end cash and short-term deposits were up from £15.07m to £19.61m and net current assets were unchanged at £132.9m (£132.8m) with stocks, debtors and creditors lower and bank borrowings reduced from £32.85m to £28.79m, mainly by strict control of working capital.

Spending on fixed assets during 1980 amounted to £25m but Sir Michael points out that inflation meant that this did little more than sustain the value of the group's assets.

Despite the current recession the directors are continuing to sanction a high level of capital expenditure and several expansion programmes have already been announced.

Although resources currently available are adequate for the group's existing needs the directors believe it prudent to raise additional equity funds to enlarge IMI's capital base and provide resources for future expansion, the chairman explains.

Since the last rights issue in 1976 the company has spent £105m on fixed assets and acquisition primarily in the fields of heat exchange, fluid power, special purpose valves, copper base tube and rod and titanium.

Demand for many of IMI's building products fell away sharply after the first quarter of 1980, but the effect was somewhat mitigated by success with copper tube. Heat exchange sales to the automotive industry suffered a sharp setback, and servicing activities also declined, though not to the same extent.

Fluid power companies performed reasonably well, particularly in export markets and in overseas manufacturing, the chairman says.

The LF/Opti zip fastener companies had a disappointing year in which a decline in European market requirements more than offset progress made in their recovery and rationalisation plans. Eley's sporting ammunition activities also did badly, their heavy dependence on exports making them vulnerable to the effect of the strong pound.

Results from the copper refinery were reasonably good, but copper semis sales, particularly of rod, reflected the downturn in UK general engineering activity.

Demand for titanium, particularly for aerospace, remained strong and the forward order book is healthy. The alloy engineering tube activity also did well, as did special purpose valve operations, notably those based in France.

Encouraging progress was made in a number of smaller activities, including the joint venture in drinks dispensing with The Cornelius Company. The group also had a good year in Australia, where it bought out the minority interest in IMI Australia.

See Lex

EUROPEAN OPTIONS EXCHANGE

Series		Mar. Vol.	Mar. Last	June Vol.	June Last	Sept. Vol.	Sept. Last	Stock
GM C	$50	11	1⅞	—	—	—	—	$52⅛
		April		July		Oct.		
ABN C	F.280	2	13.50 B	—	—	—	—	F.296.50
ABN C	F.300	13	4.10	2	6.50	—	—	"
ABN C	F.320	2	1	1	2.20	—	—	"
AKZO C	F.15	6	5	13	5.80	—	—	F.20.30
AKZO C	F.17.50	349	2.80	75	3.50 B	12	4.50	"
AKZO C	F.20	290	1 B	326	1.90	120	3	"
AKZO C	F.22.50	206	0.30	259	1	—	—	"
AKZO P	F.17.50	—	—	4	0.50	—	—	"
AKZO P	F.20	24	0.80	25	1.10	—	—	"
AKZO P	F.22.50	20	2.10	10	2.40 B	—	—	"
KODA C	$80	3	4½	—	—	—	—	$82½
HEIN C	F.50	14	9.20 A	—	—	—	—	F.59
HEIN C	F.55	33	4	—	—	2	6	"
HEIN C	F.60	30	1.70	22	2.20	5	3.30	"
HEIN P	F.55	3	0.10	1	2.20	—	—	"
HOOG C	F.15	10	3.80 B	10	3.80	28	4.10	F.18.60
HOOG C	F.17.50	18	1.50	1	2.30	17	3.20	"
HOOG C	F.20	—	—	—	—	55	1.70	"
IBM C	$70	8	⅝	—	—	—	—	$65
KLM C	F.60	—	—	4	35 A	—	—	F.95
KLM C	F.65	3	30 B	—	—	—	—	"
KLM C	F.70	49	25.50	19	26	—	—	"
KLM C	F.80	112	15.30	94	16 A	6	19	"
KLM C	F.90	72	8.40 B	117	10	56	13	"
KLM P	F.70	—	—	16	1.30 B	—	—	"
KLM P	F.80	41	1.10	—	—	4	4.30	"
KLM P	F.90	104	3.80	18	6.40 A	—	—	"
NATN C	F.120	40	7 A	—	—	—	—	F.126.90
NATN C	F.125	23	2.80	10	4.50	—	—	"
PETR C	Fr.5000	—	—	—	—	5	220	Fr.4775
PHIL C	F.15	79	4.10	—	—	—	—	F.19.10
PHIL C	F.17.50	261	1.90	114	2.80	20	2.90	"
PHIL C	F.20	445	0.60	359	1.30	184	1.70	"
PHIL P	F.17.50	203	0.30	—	—	—	—	"
PHIL P	F.20	—	—	18	1.70	5	2	"
POLA C	$30	2	¼	—	—	—	—	$27⅝
PEUG C	F.130	—	—	2	21	—	—	F.143.50
RD C	F.85	5	13	—	—	—	—	F.97
RD C	F.90	2	8.80	—	—	—	—	"
RD C	F.95	26	4.80 A	20	7	—	—	"
RD C	F.100	35	2.50	71	4.50	39	6.80	"
RD C	F.110	103	0.40	29	1.60 A	1	3.50	"
RD C	F.120	28	0.10	—	—	—	—	"
RD P	F.85	5	0.10	—	—	—	—	"
RD P	F.90	49	0.50	—	—	—	—	"
RD P	F.95	166	1.70	67	4.50	—	—	"
RD P	F.100	73	4.50	50	7.50 B	—	—	"
RD P	F.110	—	—	8	14	—	—	"
UNIL C	F.120	3	14.50	—	—	—	—	F.133.60
UNIL C	F.130	30	5.50 A	26	7.80	10	7.80	"
UNIL C	F.135	9	2.10	10	3.50 B	—	—	"
UNIL P	F.130	136	1.30	14	5.50	—	—	"
		May		Aug.		Nov.		
BOEI C	$35	2	2½	—	—	—	—	$35½
BOEI P	$35	1	1¼	—	—	—	—	"
OCCI C	$30	—	—	—	—	1	4⅝	$31½
SLUM C	$130	2	½	1	2¼	—	—	$102⅞

TOTAL VOLUME IN CONTRACTS 5914

A=Asked B=Bid C=Call P=Put

BIDS AND DEALS

Boosey and Hawkes plan to buy U.S. group in £3.9m deal

BOOSEY AND HAWKES, the music publisher and manufacturer of musical instruments, is planning to acquire Buffet Crampon International Inc., a U.S.-based musical instrument manufacturer.

The total deal could be worth $8.8m (£3.9m). Boosey has reached agreement in principle with four institutional lenders and shareholders of Buffet Crampon. Boosey will acquire 67 per cent of the common shares of the U.S. company and approximately $7m of its senior and term notes plus accrued interest to the date of purchase for a total consideration of $7.35m in cash.

The agreement in principle also states that Boosey will acquire the other 1.5m shares in Buffet Crampon through a cash merger, whereby shareholders other than the institutions will receive $0.96 per share.

This proposed cash merger would take place after the completion of the proposed purchase and would involve a further payment of about $1.44m in cash.

Boosey said yesterday that a combination of the two groups "will result in the ability to offer a more complete range of high quality musical instruments and will make it a much stronger force in world markets."

Buffet Crampon's shares are traded over the counter in the U.S. It manufactures and distributes a range of woodwind and stringed instruments and also instrument cases. Its manufacturing operations are situated in France and West Germany, although its instruments are distributed world wide.

The pro forma statement of Buffet Crampon at June 30, 1980, showed net assets at that date, before deducting the senior and term notes of approximately $8.1m and for the six months ended on that date sales of about $11m and a profit, before provision for income taxes and extraordinary loss and before deducting interest on the notes, of about $250,000.

Boosey has been informed that Buffet Crampon and its institutional lenders have also received an offer from a group of investors which contemplates a cash merger.

Under that deal an aggregate consideration of $7.34m would be offered for the shares and notes, and shareholders other than the institutions would receive $1 per share.

Boosey's agreement is conditional upon the approval and purchase by the shareholders of Boosey and a satisfactory review by Boosey's accountants of the financial position and prospects of Buffet Crampon.

Carl Fischer Inc. (which owns approximately 48 per cent of Boosey's voting shares) has indicated that it supports the proposals.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals.

TODAY

Interims—Bejam, Lawtex, Trafford Park Estates, James Walker Goldsmith and Silversmith.

Finals—BSR, Banro Consolidated Industries, Cement-Roadstone, Dickinson Robinson, Guest Keen and Nettlefolds, J. Hewitt (Fenton), Howard Machinery, John I. Jacobs, Jamesons Chocolates, A. A. Jones and Shipman, Hugh Mackay, J. N. Nichols (Vimto), Tiger Oats and National Milling, Thomas Tilling, Waverley Cameron.

FUTURE DATES

Interims—

Bluebird Confectionery	Mar. 30
British Car Auction	Mar. 24
Capseals	Mar. 27
Cope Allman International	Mar. 27
Emess Lighting	Mar. 30
Fairview Estates	Mar. 27
Reliable Properties	Mar. 19
Sirdar	Mar. 25
Finals—	
APV	Mar. 30
Ash and Lacy	Apr. 8
Bowthorpe	Apr. 9
Bruntons (Musselburgh)	Apr. 2
Church	Mar. 25
Feb International	Apr. 9
Freemans (London SW9)	Mar. 30
Green's Economiser	Apr. 9
Hall Engineering	Mar. 19
Harris and Sheldon	Mar. 26
House of Lerose	Apr. 2
Manders	Mar. 26
Noble and Lund	Mar. 26
Rotork	Mar. 25
Scottish Television	Apr. 3

LONDON TRADED OPTIONS

(Mar. 17. Total contracts 605)

Option	Ex'rcise price	April Closing offer	April Vol.	July Closing offer	July Vol.	Oct. Closing offer	Oct. Vol.	Equity close
BP	390	15	7	36	—	50	—	392p
BP	420	5	1	24	12	38	—	"
BP	500	1	1	7	15	—	—	"
Com. Union	140	23	3	25	—	31	3	161p
Com. Union	160	7	8	11	10	16	1	"
Cons. Gold	500	—	—	35	1	38	—	443p
Cons. Gold	550	—	—	20	1	23	2	"
Courtaulds	50	12½	5	14	10	16	1	60p
Courtaulds	60	3½	—	7	26	8½	20	"
GEC	550	110	1	127	—	145	—	655p
GEC	600	62	20	88	—	107	—	"
GEC	650	22	2	55	3	77	1	"
Grand Met.	140	37	9	41	—	45	—	174p
Grand Met.	180	5	17	12	8	18	—	"
ICI	220	24	—	35	8	40	—	236p
ICI	240	9	—	24	6	28	—	"
ICI	260	1	—	7	1	15	2	"
ICI	300	½	—	3	23	10	10	"
ICI	330	½	1	1½	—	—	—	"
Land Sec.	330	77	—	82	2	—	—	400p
Land Sec.	360	47	—	56	5	69	—	"
Land Sec.	390	23	—	35	5	49	—	"
Land Sec.	420	7	—	19	1	32	—	"
Marks & Sp.	110	10½	25	16	5	19	—	117p
Marks & Sp.	120	4½	40	9½	10	12½	—	"
Shell	390	15	1	32	—	42	—	395p
Shell	420	8	1	17	—	26	—	"
Shell	500	½	—	4	10	—	—	"
Shell	550	¼	1	1½	—	—	—	"
Totals			143		153		40	
		May		August		November		
Barclays B'k	390	22	2	37	—	42		388p
Barclays B'k	460	1	6	10	—	—	—	"
Imperial Gp.	70	3	3	5½	1	7	—	68p
Imperial Gp.	80	¼	—	2½	—	3	1	"
Lasmo	600	45	3	67	2	97	—	612p
Lasmo	650	22	12	47	—	67	—	"
Lasmo	700	10	—	25	7	42	—	"
Lasmo	800	2	7	8	5	—	—	"
Lonrho	90	19	—	14	—	16	2	94p
Lonrho	100	4	—	7½	5	10	1	"
P. & O.	120	16½	30	18½	—	23½	—	133p
P. & O.	130	9	10	12½	24	16½	—	"
Racal Elec.	300	73	1	83	—	—	—	359p
Racal Elec.	360	27	26	43	12	56	—	"
Racal Elec.	390	10	2	28	3	41	—	"
RTZ	360	117	—	125	12	—	—	465p
RTZ	390	87	—	98	16	107	4	"
RTZ	414	62	6	—	—	—	—	"
R.Z	454	40	7	—	—	—	—	"
RTZ	460	—	—	60	4	62	—	"
RTZ	494	20	31	—	—	—	—	"
RTZ	500	—	—	30	33	—	—	"
Totals			146		123		8	

Rival £1.3m bid for Bond Street

A PRIVATE investment holding company with four textile factories based in Scotland, Auchinleck Investment Company, yesterday revealed itself as the "white knight" bidder for Bond Street Fabrics, the knitted fabric manufacturer.

Auchinleck has offered a deal worth £1.3m for Bond Street. Its offer has topped an unwelcome share and cash bid from Grovebell, the Vauxhall and Bedford motor dealer.

Auchinleck has offered 40p in cash for each ordinary share. On the London stock market trading in Bond Street shares recommenced after its suspension last week. At the close of business they stood at 39p.

Auchinleck is offering 67p in cash for every £1 of 7.75 convertible loan stock 1991 of Bond Street.

Grovebell was offering 15p in cash plus two of its own shares for each Bond Street share. At the announcement of its offer earlier this month the deal valued Bond Street at £758,000.

Yesterday, advisers to Bond Street, Morgan Grenfell, said that the Auchinleck ordinary offer, which is being recommended by the Bond Street directors, represents an increase on the Grovebell offer of 38 per cent, and 60 per cent higher than the resale cash alternative included in the offer by Grovebell.

Bond Street's advisers were basing their assumptions on the middle market price of 7p at the close of business on March 16 for Grovebell's ordinary shares.

Auchinleck's principal business is the manufacture and distribution of gloves, hose, headwear, thermal wear, and both fully fashioned and cut and sewn knitwear.

Bond Street's remaining operations, which are all in Scotland, are solely involved in the manufacture of cut and sewn knitted garments.

"The businesses of the two groups are complementary and it is not envisaged that a merger will cause any loss of jobs," Bond Street said yesterday.

Following the merger Mr. K. C. G. Mackenzie, chairman of Bond Street, has been invited to become chairman of the new textile group and the other executive directors of Bond Street, Mr. John Liddell and Mr. Peter Knighton will also be invited to join the board.

MARCHWIEL OFFERS MCALPINE (SA) SHARES FOR R3.10

Marchwiel has announced details of its proposed offer for sale of shares in its South African subsidiary, Alfred McAlpine and Son (McAlpine SA).

The shares are being offered at R3.10, capitalising the company at £17.56m. The offer is for 30 per cent of the issued capital, and the proceeds will be approximately £4.99m to be used elsewhere in the Marchwiel group. The offer is being underwritten by Hill Samuel (SA).

Earnings for the year ending October 31, 1981, are forecast to be slightly over £2m, and the net asset value of McAlpine SA is expected to be about £21.5m.

ANGLO-INDONESIAN EXTENDS OFFER

Anglo-Indonesian Corporation's offer for Eva Industries has received 328,398 acceptances, representing 3.51 per cent of Eva's ordinary capital.

AIC and its subsidiaries owned 2.58m ordinary shares in Eva (27.57 per cent) before the offer and they have acquired a further 347,000 shares (3.71 per cent) during the offer period. Persons acting in concert with AIC own a further 830,160 (8.87 per cent).

The combined shareholding of AIC and those acting in concert with it (exclusive of acceptances) now total 40.15 per cent of Eva's ordinary capital.

The offer has been extended to March 30.

ENSERCH/DAVY

Texas-based Enserch Corporation, whose offer for Davy Corporation lapsed automatically when the deal was referred to the UK Monopolies and Mergers Commission, says it will co-operate fully with, and present its case to, the Commission in connection with the investigation.

By order of the U.S. Federal District Court of Washington, all proceedings in a suit filed by Davy against Enserch seeking to enjoin the company from making the proposed offer, have been stayed.

SAVOY HOTEL

The Kuwait Investment Office yesterday acquired 127,500 "A" ordinary shares in Savoy Hotel.

BASE LENDING RATES

A.B.N. Bank	12 %	■ Guinness Mahon	12 %
Allied Irish Bk.	12 %	■ Hambros Bank	12 %
American Express Bk.	12 %	■ Hill, Samuel	§12 %
Amro Bank	12 %	C. Hoare & Co.	†12 %
Henry Ansbacher	12 %	Hongkong & Shanghai	12 %
AP Bank Ltd.	12 %	Keyser Ullmann	12 %
■ Arbuthnot Latham	12 %	Knowsley & Co. Ltd.	14 %
Associates Cap. Corp.	14 %	Langris Trust Ltd.	12 %
Banco de Bilbao	12 %	Lloyds Bank	12 %
BCCI	12 %	Mallinhall Limited	12 %
Bank of Cyprus	12 %	Edward Manson & Co.	13 %
Bank of N.S.W.	12 %	Midland Bank	12 %
Banque Belge Ltd.	12 %	■ Samuel Montagu	12 %
Banque du Rhone et de la Tamise S.A.	12½ %	■ Morgan Grenfell	12 %
Barclays Bank	12 %	National Westminster	12 %
Beneficial Trust Ltd.	13 %	Norwich General Trust	12 %
Bremar Holdings Ltd.	13 %	P. S. Refson & Co.	12 %
Brit. Bank of Mid. East	12 %	Rossminster	12 %
■ Brown Shipley	13 %	Ryl. Bk. Canada (Ldn.)	12 %
Canada Perm't Trust	13 %	Slavenburg's Bank	12 %
Cayzer Ltd.	12 %	E. S. Schwab	13 %
Cedar Holdings	14 %	Standard Chartered	‖12 %
■ Charterhouse Japhet	12 %	Trade Dev. Bank	12 %
Choulartons	14 %	Trustee Savings Bank	12 %
C. E. Coates	12 %	TCB Ltd.	12 %
Consolidated Credits	14 %	United Bank of Kuwait	12 %
Co-operative Bank	*12 %	Whiteaway Laidlaw	12½ %
Corinthian Secs.	12 %	Williams & Glyn's	12 %
The Cyprus Popular Bk.	14 %	Wintrust Secs. Ltd.	12 %
Duncan Lawrie	12 %	Yorkshire Bank	12 %
Eagil Trust	12 %		
E. T. Trust Limited	14 %		
First Nat. Fin. Corp.	16½ %		
First Nat. Secs. Ltd.	16 %		
Robert Fraser	12 %		
Antony Gibbs			

■ Members of the Accepting Houses Committee.

* 7-day deposit 9%, 1-month 9¼%. Short term £4,000/12 months 13.35% (no change).

† 7-day deposits on sums of £10,000 and under 9%, up to £50,000 9¾%, and over £50,000 10½%.

[illegible] deposits £1,000 and over 9%.

[illegible] demand deposits 9½%.

[illegible] day deposits over £1,000 10½%.

هكذا من الأصل

Companies and Markets

UK COMPANY NEWS

Waring & Gillow setback: holds interim at 1.5p

EXTREMELY difficult trading conditions and the major changes which have taken place internally have hit the profits of the Waring and Gillow group for the half year ended September 30, 1980. At the pre-tax level they are down from £2.12m to £586,000. The interim dividend, however, is held at 1.5p.

With the benefit of £2.48m net exceptional credits, earnings per share are shown to be ahead from 6.5p to 14p per share. Exceptional credits are £3.06m being the book profit on the sale of the Regent Street store, less exceptional costs; from this has been deducted £578,000 terminal losses on the clothing division associated with factory closures.

Mr. Manny Cussins, the chairman, believes that now the loss-making clothing side "is almost behind us," the benefits to be gained from the merger with Maples will begin to be reflected in profits. "We have much to do to realise the full potential but I have great optimism for the future," he tells shareholders.

The furniture group's trading profits were affected by increased costs and static sales, and by an increase in bank interest to some £415,000.

Results from the newly acquired Maples stores have been included from May 16. This group was not trading profitably on acquisition and has not contributed to the half year. Its overseas stores are trading at a loss and have continued to do so in the second half.

Mr. Cussins says the second half is traditionally better for furniture and there has been some improvement in performance. Trading in January and February has been relatively buoyant and some benefits are being gained from the Maples acquisition. Trading in France has continued to be depressed; action has been taken to strengthen management there and to work towards an early return to profitability.

	Half Year 1980 £000	1979 £000
Turnover	41,225	29,798
Furniture	25,775	25,946
Maples UK	11,445	—
Maples overseas	1,161	—
Clothing	2,844	3,852
Profit before tax	586	2,122
Furniture	909	2,207
Maples UK loss	74	—
Maples overseas loss	190	—
Clothing loss	59	85
Exceptional credits	3,070	2,122
Deferred profit	229	20
Balance	†2,841	2,102

† Based on 52 per cent corporation tax and 30 per cent capital gains tax, a tax reserve of £928,000 (£1.11m) would have to be made.

The clothing manufacturing interests have been rationalised to the point where there is now only one small factory, which will shortly be closed. Further losses associated with this run-down have been incurred in the second half but are of a non-recurring nature.

During the year, property sales amounting to £10.3m have been completed with the result that bank overdraft, after paying £9.4m cash for Maples, has now been reduced to some £3.5m compared with some £3m last year.

● comment

Predictably Waring and Gillow has been clobbered by high interest costs following the purchase of Maples. Borrowings peaked at some £19m during the half year before asset disposals brought them tumbling back down to £3½m. The company has also had to carry the losses at Maples and those from "Maples overseas" are higher than might have been expected judging by the comments Maples made during the bid battle. Interest charges will be nowhere near as burdensome in the second half and the company could produce around £2½m pre-tax for the year, before taking in perhaps £4½m profit on asset disposals. At 125p Waring and Gillow is trading on a fully taxed p/e of 16 with a yield of 6¼ per cent. The shares are priced around half net asset value and with Great Universal Stores sitting on a 31.4 per cent stake there is inevitably some bid speculation. Yet the rating still looks rather hefty, even if W and G makes some recovery in 1981-82.

Stag falls 56% to £1.47m but dividend level unchanged

A £1M shortfall in the second half left 1980 taxable profit at Stag Furniture Holdings 56 per cent lower. Amid extremely difficult trading conditions, particularly at the lower priced end of the market, sales dipped from £29.5m to £27.9m and profit for the year to December 26 emerged down at £1.47m, against £3.35m.

However the total dividend is being maintained. Mr. P. V. Radford, the chairman, says: "Trading conditions remain difficult but there was a welcome improvement in demand during January, when many retail stores had successful sales, and this led to a strengthening of the group's forward order book.

"No further improvement in the general level of trading is expected before the autumn," he adds.

Stag is selling its cabinet company's branch factory at Kingston-on-Thames, which makes self-assembly furniture and dining chairs, for £1m cash—against a £345,000 book value. These activities will now be concentrated in the Nottingham area where the company recently acquired land for development. The machinery is to be moved to other group factories or sold, if surplus to requirements.

After meeting all related closure expenses the deal is expected to produce an overall net surplus of some £400,000.

Stated earnings per 25p share for the year fell 22.8p to 12p after tax of £386,000 (£566,000). The net final dividend is held at 3.25p on capital increased by scrip, for an effectively maintained total of 5p.

Attributable profit comes out at £923,000 (£2.69m) after preference dividend costs of £159,000 (£103,000). The retained balance was down at £537,000 (£2.3m).

Mr. Radford points out that the balance sheet is strong, with £1.14m (£1.26m) cash at year end. Stocks, debtors and creditors have all been reduced and the liquidity ratio has improved.

Net assets were marginally up at £10.72m (£10.21m) and shareholders funds stood at £10.46m (£9.93m).

● comment

Stag's 56 per cent collapse in pre-tax profits reflects lower volume, particularly at the cheaper end of the range, and a squeeze on margins as higher discounts were granted to retailers to maintain sales. Although orders picked up in January, this rise has not been sustained and after a deflationary Budget no major upturn in demand can be expected before the midway stage. Backed by a healthy balance sheet Stag is in better position than many to ride out the recession and does not plan to alter its product mix. The shares fell 3p to 83p on the results, where they yield nearly 9 per cent and are on an 11.4 earnings multiple.

Write-downs leave Pittard in loss

STOCK LOSSES amounting to some £1m caused by falling skin and hide prices, together with an inability to obtain satisfactory profit margins, have pushed Pittard Group, leather manufacturer, into the red in 1980.

After plunging from pre-tax profits of £957,412 to £46,182 at the midway stage, the group finished the year with a loss of £521,400 compared with a 1979 surplus of £1.49m.

The directors anticipate a return to profitability by the end of the year. They are confident trading conditions will improve, since customers have generally reduced their stocks to the point where they need to re-order. Bank borrowings are expected to fall further and thus reduce interest charges—up from £557,588 to £626,340 this time—and the much lower level of raw material prices should obviate any further heavy stock write-downs.

The dividend is being maintained at 4p with a final of 2.625p because, say the directors, the disappointing result in 1980 can only be regarded as a temporary setback and because shareholders "have suffered so many years of dividend restraint."

After a tax credit of £586,781 (£199,706 charge) and an extraordinary profit of £413,767 (nil) arising from the sale of the R. and A. Kohnstamm site, the net surplus emerges at £479,148 (£1.29m). This more than covers the cost of dividends, the directors state.

Sales fell during 1980 from £23.6m to £18.33m. The pre-tax loss included depreciation of £296,513 (£271,871).

Current cost adjustments show a profit before tax of £307,000.

● comment

More than 40 per cent of Pittard's sales go for export, so margins, which had already been squeezed in the first half, were further compressed—altogether eliminated in some markets—as sterling rose against the dollar towards the end of the year. At the same time, hide prices remained close to the collapsed levels of last June, and £1m had to be written off stocks by the end of the year. The consequence of these stock write-downs is a CCA cost of sales "write-back" of £1.5m, which perversely transforms threadbare figures into something theoretically more respectable. Pittard's decision to maintain the dividend owes less to any notion that it may be covered nearly three times by CCA earnings than to the more tangible fruits of its Beckenham property disposal. Down 2p to 46p, the shares are largely sustained by their yield of 13.2 per cent.

Drop in orders hits Bronx profits

PRE-TAX profit of Bronx Engineering Holdings dropped from £624,273 to £506,921 for the year to November 30, 1980, on turnover increased from £11.21m to £14.84m.

At the half-year stage pre-tax profit was up at £354,940 (£220,600) on increased turnover of £8.48m (£4.71m), but Mr. G. B. Crosthwaite, chairman, said then that there had been a significant downturn in activities, though he was hopeful the year's surplus would not be much lower than last time.

The year-end profit was reduced because of a continued lower level of order intake and further presure on profit levels, he says.

On prospects for 1981, Mr. Crosthwaite says the current order book is insufficient to ensure full production during the first half and production levels for the second half year are dependent upon the successful conclusion of a number of serious order prospects.

"It is almost certain that a loss will be incurred in the six months to May 31, 1981, and present indications are that there will not be sufficient recovery by the early summer to enable the group to return to a reasonable level of profit by the year end.

"We are currently sparing no effort in overseas markets where the appeal of our wide product range to potential customers is being unfortunately undermined by the high value of sterling. We cannot expect the demand for our products on the home market to improve substantially until confidence is restored in UK industry generally.

"Despite the current bleak outlook I am confident that in the longer term our expertise in the metalworking and processing machinery industry will be the major factor in a return to profitable performance."

In 1980 redundancies and short time working had been necessitated very close to the company's year end, Mr. Crosthwaite adds, and the cost of these and other termination payments—amounting to £69,000—had been charged before arriving at the profit disclosed.

The redundancy programme involved the loss of approximately 20 per cent of the group's staff employees, and the majority of the shop floor workforce being put on short time with the aid of the Government's compensation scheme.

Tax for the year took £8,983 (£2,686), and a release from the provision for deferred tax of £1.12m (£12,357 charge) brought the amount attributable to £1.62m (£609,230).

This provision was released because, after the Inland Revenue's proposals on stock relief issued in November, 1980, the directors considered it was no longer necessary.

The directors have decided on a final dividend of 0.79p per 10p share making a total for the year of 1.08p (1.05p equivalent). This level of dividends absorbs £135,000 (£131,250) leaving a surplus of £1.49m (£477,980) to be taken to reserves.

Stated earnings per share emerged at 12.96p (4.87p) and 3.51p (2.38p) before adjusting for the release from deferred tax.

McLaughlin and Harvey over £1m

Taxable profits of McLaughlin and Harvey, Belfast-based builder and civil engineer, advanced from £980,000 to £1.2m during 1980. The directors are stepping up the dividend to 5.25p net with a final of 3.45p—a single payment of 3p net was made for 1979.

Shares in the group, which went public in November, 1979, are traded on the Stock Exchange's Unlisted Securities Market.

Turnover rose in 1980 from £34.69m to £46.3m. There was a tax credit of £603,000 compared with a charge of £417,000 and £13,000 (£18,000) was transferred from the Government grants reserve.

Exchange losses arising from the relative strength of sterling against the Irish punt rose to £264,000 against £30,000, and the attributable profit emerged at £1.6m (£502,000), of which dividends absorbed £213,000 (£122,000). Stated earnings per 25p share jumped from 14.3p to 44.9p.

On a CCA basis, the attributable surplus is shown as £1.31m.

Alexanders Holdings optimistic

MR. J. B. T. LOUDON, chairman of Alexanders Holdings, has predicted that with falling interest rates the company can look forward to increased profitability.

He tells shareholders in his annual report that interest charges in 1980 cost Scotland's largest Ford main dealer £258,000 more than in the previous year.

Mr. Loudon reveals that the company is negotiating for a new dealership in Cumbernauld and the reconstruction of the dealership at Fountainbridge, Edinburgh, should be completed in May. These developments should strengthen the company and prove profitable in future, he says.

He concludes by saying that the company is strong from an asset point of view at 28p per 10p share and is well placed to take full advantage of this when the economy returns to normal.

The company's results for the year to September 30, 1980, were reported on February 24, 1981. Stocks stood at £3.95m (£3.81m), debtors at £1.78m (£1.56m), deposits with manufacturer £1.38m (£1.23m), cash and bank balances £7,000 (£98,000), creditors £3.31m (£2.04m), bank overdraft £1.19m (£2.12m), stocking loans £1.63m (£1.23m), shareholders' funds £5.41m (£4.28m).

Midway rise at Mutual & Federal

After tax profit of Mutual and Federal, the South African insurance company rose from R3m to R4.2m for the six months ended December 31, 1980, surplus for the whole of the 1979/80 year was R5.9m.

From first-half earnings of 90.6 cents (56.6 cents) per share, the interim dividend is increased to 19 cents against 16 cents. Gross premium income was up from R46.4m to R54.3m.

The directors say that increased costs of repairs and a rise in incidence of claims had a severe effect on motor insurance results. Motor premium rates have been increased, but extreme competition has led to inadequate premium levels, particularly in the area of commercial and industrial risks, they state.

As reported on March 14, Mutual plans a R4m acquisition of British Engine Insurance, the South African subsidiary of Royal Insurance Group.

Mutual is wholly-owned by Mutual and Federal Investments, which is in turn 49 per cent owned by Royal, and 51 per cent by South African Mutual.

Advance for Burma Mines

The Investment Trust Burma Mines increased pre-tax profits from £121,753 to £144,138 in the year to December 31, 1980.

Gross revenue for the year was ahead at £165,760, against £149,917.

Tax took £45,382 (£37,040) and earnings per 10p share were shown slightly higher at 0.729p (0.626p). The net total dividend was raised from 0.625p to 0.75p.

Net asset value per share was given as 18.4p (15.2p). This has been restated to include compensation from the Burmese Government for the nationalisation in January 1965 of the company's 50 per cent holding in Burma Corporation.

YEARLINGS UP

The interest rate for this week's issue of local authority bonds is 12⅝ per cent, up ⅛ per cent from last week. The bonds are issued at par and are redeemable on March 24, 1982.

A full list of issues will be published in tomorrow's edition.

ANCON (UK)

Ancon Insurance Company, SA, a subsidiary of Exxon Corporation, has formed Ancon Insurance Company (UK).

The company, which will be managed by Tower House Securities, a subsidiary of C. T. Bowring Underwriting Holdings, has an authorised and issued share capital of £5m—of which £3m has been paid up—and is authorised to write all classes of non-life business.

It will, initially, underwrite a non-marine account with effect from June 1, this year.

COMPANY NEWS IN BRIEF

DRAYTON PREMIER INVESTMENT TRUST—Results for 1980, already known. Ordinary shareholders' funds £87.02m (£68.22m). Investments £92.62m (£79.98m), unrealised appreciation of investments at £32.34m (£17.86m). Chairman says increase in revenue achieved in last two years cannot be expected to continue in current year. However, he says outlook appears encouraging and he hopes results for year will be satisfactory. At February 6, the National Coal Board Staff Superannuation Scheme and Mineworkers Pension Scheme held 25.4 per cent of the ordinary shares with Royal Insurance Group holding another 7.1 per cent. Meeting: 117, Old Broad Street, EC, March 30, 11.30 am.

SCOTTISH AND MERCANTILE INVESTMENT COMPANY—Results for six months to September 30, 1980, already known. Investments £3.69m (£5.71m) against market value £9.1m (£11.99m). Bank balances £5.88m (£0.58m). Dollar loan from bankers (secured) £800,412 (£892,350); bank overdraft (unsecured) £2,531 (£287,699). Shareholders' funds £4.86m (£3.25m). Comparatives as at March 31, 1980. Meeting: Winchester House, EC, March 31, noon.

ST. ANDREW TRUST—Results for 1980 reported February 16. Listed UK investments £13.39m (£12.24m); abroad £7.94m (£4.97m); unlisted £0.71m (£0.66m). Cash on deposit £0.94m (£1.78m). Debentures and loans £0.35m (£0.94m). Shareholders' funds £22.29m (£18.1m). Chairman says revenue outlook is not particularly encouraging in current year, but Board intends to at least maintain dividend. Meeting, Edinburgh, March 30, 12.30 pm.

BERISFORDS (manufacturer of ribbons, labels, trimmings, lampshades and embroidery)—Results for year to November 21, 1980, reported February 26. Shareholders' funds £6.96m (£7.1m). cash £22,000 (£19,000), bank overdraft £20,700 (£976,600), long-term loan £1m (nil). Meeting, Congleton, April 9, at 11 am.

AI INDUSTRIAL PRODUCTS (technical ceramics and products group)—Results for year to December 31, 1980 reported on February 27, 1981. Shareholders' funds £7.18m (£8.98m); creditors £3.78m (£3.5m); bank overdrafts (secured) £1.7m (£1.51m); proceeds receivable from disposal of Mason and Burns division £550,000 (nil). Historical pre-tax loss of £907,000 became loss of £1.71m on a CCA basis. Chairman says sales in January are marginally greater than the previous year. Meeting, Stoke-on-Trent, April 6, 10.30 am.

APPOINTMENTS

Stock Exchange deputy chairman

Mr. Charles Eglinton, a director of Akroyd and Smithers has been elected as deputy chairman-designate of The Stock Exchange for the council year 1981-82. The appointment is subject to the council's approval in June. Mr. Eglinton will fill the vacancy created by the retirement, in June, of Mr. George Nissen, a partner in Pember and Boyle.

Since his election to the council in 1975 Mr. Eglington has served on the membership committee and the information and communications committee. He now serves on the property and finance committee and is joint chairman of the quotations committee.

*

Sir Donald Barron has retired as chairman of ROWNTREE MACKINTOSH. The board has confirmed the appointment of Mr. K. H. M. Dixon as chairman. Mr. K. Haslinger and Mr. J. Nutter have been appointed joint deputy chairmen of the company.

*

Professor A. R. Williamson, Gardiner Professor of Biochemistry at the University of Glasgow, has been appointed research director of the Greenford division of GLAXO GROUP RESEARCH, the R. and D. subsidiary of the pharmaceutical company. He takes up the post in September. The work of the Greenford division is mainly concerned with infection, biotechnology, immunology, drugs affecting the central nervous system, and animal health.

*

Mr. Sidney Wild has been appointed chairman of YORKSHIRE BANK following the retirement of Mr. John Glyn. A member of the banking family which founded Glyn, Mills and Co., Mr. Glyn remains chairman of the Agricultural Mortgage Corporation and of First National Finance Corporation, among other business interests. Mr. Wild is a director of A. P. Bank.

Mr. F. Clive Wilkinson has been appointed a director of Yorkshire Bank Finance and Yorkshire Bank Leasing.

*

Mr. Diarmid French and Mr. Jim McAllister have been appointed to the board of LONDON AND MANCHESTER SECURITIES. Mr. Richard Prickett, financial director, is to relinquish his position as company secretary and will devote his time to the company's development and investment programme. Mr. Trevor Masterson has been appointed chief surveyor and Mr. Kevin Newman replaces Mr. Prickett as company secretary.

*

Sir Anthony Salt, has been appointed chairman of WILLIAMS DE BROE HILL CHAPLIN AND CO., stockbrokers, following the death of Mr. Peter Pettman.

Mr. David W. Hearsey will be retiring as chairman and director of BRITISH COCOA MILLS (HULL) on March 19. Mr. J. C. Probee will succeed Mr. Hearsey as chairman and will continue to be joint managing director.

*

Mr. Roger Huband has been appointed group parts director of WADHAM STRINGER VEHICLES.

*

Mr. Richard C. Allardyce has joined the board of HERBERT WATSON INSURANCE BROKERS.

*

Mr. C. R. Masters has been appointed head of syndications section in NATIONAL WESTMINSTER BANK'S international banking division, based in the City. He succeeds Mr. Anthony Rentoul who is returning to the law.

*

Following the resignation of Mr. Jack Seabright, joint managing director, on July 31, Mr. Noel Lister, co-founder of MFI FURNITURE GROUP and joint managing director, assumes the position of Group chief executive with special responsibility for development, buying and marketing. Mr. Derek Hunt is appointed sole Group managing director.

Companies and Markets

CURRENCIES, MONEY and GOLD

Dollar recovers

Foreign exchanges were fairly quiet yesterday ahead of publication of U.S. February figures for industrial production, housing starts and personal income. Profit taking helped the dollar recover from its early morning weakness, while the U.S. currency was also assisted by a firming of Euro-dollar interest rates.

Sterling improved against major currencies in general, and in terms of the dollar, finishing at the highest level for nearly a month.

European currencies showed further strains within the European Monetary System. The Belgian franc was slightly firmer, but remained well outside its alarm-bell divergence limit, while the Italian lira weakened towards its divergence limit. The Deutsche Mark was again the strongest EMS currency ahead of the Dutch guilder and French franc.

DOLLAR — trade weighted index (Bank of England) eased to 99.1 from 99.3. The dollar ended around its best level of the day against most major currencies, and little changed overall. It eased to DM 2.0880 from DM 2.0905 against the Deutsche Mark and to SwFr 1.9010 from SwFr 1.9015 in terms of the Swiss franc. The U.S. currency was slightly firmer against the Japanese yen however, rising to Y207.75 from Y207.25.

STERLING — trade weighted index (Bank of England) rose to 99.9 from 99.5, after opening at 99.6 and rising to 99.8 at noon. The pound opened at \$2.2450-\$2.2460, the lowest level of the day, and touched a peak of \$2.2590-\$2.2600 in the early morning. Sterling declined during the afternoon, but finished 1.10 cents firmer on the day at \$2.2485-\$2.2495 the highest close since February 20, just before Press coment of a sharp fall in MLR as part of the Budget severely depressed the pound.

DEUTSCHE MARK — A sharp rise in German interest rates coupled with the introduction of a special Lombard facility has led to a recovery by the Deutsche Mark, and it is now the strongest currency within the European Monetary System. Previously high foreign interest rates and Germany's continuing large balance of payments deficit had put pressure on the German currency against the dollar and within the EMS. Tension over the situation in Poland remains a market factor — The Deutsche Mark showed mixed changes at the Frankfurt fixing, gaining ground against the dollar, French franc, Italian lira, and Japanese yen, but weakening against sterling and the Swiss franc. The Bundesbank did not intervene when the dollar fell to DM 2.0823 from DM 2.1010 at the fixing in fairly quiet and uneventful trading. On the other hand the central bank offered dollar swaps to commercial banks to absorb domestic money market liquidity as German interest rates eased during the morning. Sterling rose to DM 4.6950 from DM 4.6890 *at the fixing, and the Swiss franc* to DM 1.1015 from DM 1.0995.

JAPANESE YEN — Very firm influenced by Japan's strengthening economic performance, and little changed against the strong dollar in the last six months, despite rising U.S. interest rates and declining Japanese rates — *The yen improved against the* dollar, with the U.S. currency easing to Y207.25 from Y208.40 in moderate Tokyo trading. It opened at Y207.50, and fell to a low of Y206.90 reflecting lower U.S. interest rates, and the package of measures announced by the Japanese Government designed to boost the economy and stabilise prices. The cut of 1 per cent to 6¼ per cent in the Bank of Japan discount rate was generally expected, and had little influence on the market.

THE POUND SPOT AND FORWARD

March 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.2450-2.2600	2.2485-2.2495	0.40-0.50c dis	−2.40	1.25-1.35dis	−2.31
Canada	2.6650-2.6780	2.6670-2.6680	1.08-1.18c dis	−5.08	2.40-2.55dis	−3.71
Nethlnd.	5.18-5.22	5.19¼-5.20¼	1⅛-⅞c pm	2.02	3¼-2¼ pm	2.12
Belgium	76.70-77.10	76.85-76.95	par-10c dis	−0.78	13-23 dis	−0.94
Denmark	14.73-14.78	14.74½-14.75½	2-3¾ore dis	−2.29	5½-7¼ dis	−1.73
Ireland	1.2815-1.2890	1.2850-1.2865	par-0.20c dis	−0.93	0.34-0.61dis	−1.48
W. Ger.	4.68-4.71	4.69¼-4.70¼	¼pf pm-¼ dis	0.64	1⅛-⅝ pm	0.74
Portugal	126.20-127.20	126.50-126.70	15c pm-60 dis	−2.13	45pm-170dis	−1.97
Spain	190.00-191.40	190.10-190.30	15c pm-40 dis	−0.79	80-140 dis	−2.31
Italy	2,282-2,292	2,287-2,289	8¾-10¾ lire dis	−5.11	28½-31½ dis	−5.24
Norway	12.02-12.10	12.04¾-12.05¾	1¼ore pm-¼ dis	0.31	3¼-1¾ pm	0.83
France	11.05½-11.09½	11.07-11.08	2-1c pm	1.62	2½-1½ pm	0.72
Sweden	10.25-10.33	10.26½-10.27½	4-4⅞ore dis	−5.18	12¾-13¾ dis	−5.16
Japan	462-470	467-468	2.10-1.80y pm	5.00	6.10-5.80 pm	5.09
Austria	33.15-33.30	33.18-33.23	7-2gro pm	1.63	16-6 pm	1.32
Switz.	4.25-4.29	4.27¾-4.28¾	2-1c pm	4.21	5¼-4¼ pm	4.44

Belgian rate is for convertible francs. Financial franc 78.65-78.75. Six-month forward dollar 2.35-2.45c dis, 12-month 4.40-4.60c dis.

THE DOLLAR SPOT AND FORWARD

March 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.2450-2.2600	2.2485-2.2495	0.40-0.50c dis	−2.40	1.25-1.35dis	−2.31
Ireland†	1.7450-1.7550	1.7450-1.7550	0.10-0.30c dis	−1.37	0.20-0.50dis	−0.80
Canada	1.1850-1.1864	1.1858-1.1861	0.22-0.28c dis	−2.43	0.42-0.47dis	−1.50
Nethlnd.	2.3040-2.3100	2.3075 2.3085	0.95-0.85c pm	4.68	2.70-2.60 pm	4.58
Belgium	34.11-34.20	34.17-34.19	6-4½c pm	1.84	14-11 pm	1.46
Denmark	6.5340-6.5620	6.5575-6.5600	¼ore pm-¼ dis	—	¾-¼ pm	0.30
W. Ger.	2.0790-2.0890	2.0875-2.0885	0.52-0.46pf pm	2.82	1.63-1.55 pm	3.04
Portugal	56.17-56.45	56.17-56.32	15c pm-15 dis	—	50 pm-40 dis	7.07
Spain	84.47-84.86	84.65-84.75	25c pm-par	1.77	par-20 dis	−0.47
Italy	1,014-1,018	1,017-1,018	2¼-3 lire dis	−3.09	7-8 dis	−2.95
Norway	5.3350-5.3630	5.3400-5.3420	1¼-¾ore pm	2.25	4.20-3.70 pm	2.96
France	4.9100-4.0260	4.9170-4.9200	1.60-1.50c pm	3.78	3.90-3.70 pm	3.09
Sweden	4.5625-4.5825	4.5650-4.5700	1.15-1.35ore dis	−3.27	3.35-3.55dis	−3.01
Japan	206.50-208.00	207.70-207.80	1.30-1.15y pm	7.07	3.85-3.70 pm	7.27
Austria	14.73-14.78½	14.75½-14.76½	5.20-3.90gro pm	3.70	15.00-11.50pm	3.59
Switz.	1.8850-1.9036	1.9005-1.9015	1.10-1.00c pm	6.63	3.20-3.10 pm	6.63

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY MOVEMENTS

Mar. 17	Bank of England Index	Morgan Guaranty Changes%
Sterling	99.9	−26.6
U.S. dollar	99.1	−4.9
Canadian dollar	85.4	−17.7
Austrian schilling	116.7	+22.7
Belgian franc	107.9	+9.7
Danish kroner	89.8	−10.0
Deutsche mark	121.2	+40.3
Swiss franc	135.8	+75.8
Guilder	112.7	+15.7
French franc	87.0	−9.6
Lira	61.0	−53.9
Yen	146.9	+41.8

Based on trade weighted changes from Washington agreement December, 1971. Bank of England Index (base average 1975=100).

CURRENCY RATES

Mar. 16	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	12	0.551368	0.541733
U.S. $	13	1.23125	1.21159
Canadian $	17.11	1.46519	1.44453
Austria Sch.	6¾	18.3112	17.9920
Belgium F.	12	42.3119	41.5634
Danish K.	11	8.14349	7.98859
D mark	7½	2.58686	2.54215
Guilder	9	2.86775	2.81512
French Fr.	9½	6.09038	5.99432
Lira	16½	1255.57	1235.51
Yen	7¼	256.593	250.641
Norwgn. Kr.	9	6.65644	6.51712
Spanish Pta.	8	105.210	103.469
Swedish Kr.	12	5.67628	5.57123
Swiss Fr.	4	2.35206	2.31413
Greek Dr'ch.	—	—	61.9958

OTHER CURRENCIES

Mar. 17	£	$		£ Note Rates
Argentina Peso	5252-5272	2334-2344	Austria	32.95-33.35
Australia Dollar	1.9275-1.9315	0.8570-0.8575	Belgium	78.10-78.90
Brazil Cruzeiro	167.76-168.76	74.69-75.06	Denmark	14.70-14.85
Finland Markka	9.10-9.11½	4.0420 4.0440	France	11.00-11.10
Greek Drachma	112.574 115.451	50.65-50.80	Germany	4.67-4.71½
Hong Kong Dollar	11.82¼-11.84¼	5.2630 5.2680	Italy	2270-2355
Iran Rial	167.00*	74.80*	Japan	456-472
Kuwait Dinar(KD)	0.613-0.619	0.2734-0.2736	Netherlands	5.17½-5.22½
Luxembourg Frc.	76.85-76.95	34.17-34.19	Norway	12.00-12.12
Malaysia Dollar	5.0910-5.1010	2.2635-2.2655	Portugal	122-126
New Zealand Dlr	2.4275-2.4385	1.0795-1.0805	Spain	186-197½
Saudi Arab. Riyal	7.52-7.58	3.3495-3.3515	Sweden	10.24-10.34
Singapore Dollar	4.7075-4.7175	2.0935 2.0965	Switzerland	4.25-4.29½
Sth African Rand	1.7690-1.7710	0.7865-0.7875	United States	2.24½-2.26
U.A.E. Dirham	8.24-8.30	3.6710-3.6730	Yugoslavia	75-79

Rate given for Argentina is free rate. * Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU March 17	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	39.7897	41.6423	+4.66	+1.69	±1.53
Danish Krone	7.72336	7.99263	+3.49	+0.52	±1.64
German D-Mark	2.48208	2.54177	+2.40	−0.57	±1.125
French Franc	5.84700	5.99661	+2.56	−0.41	±1.3557
Dutch Guilder	2.74362	2.81360	+2.55	−0.42	±1.512
Irish Punt	0.668201	0.696624	+4.25	+1.28	±1.668
Italian Lira	*1157.79*	*1238.28*	*+6.95*	*+3.93*	*±4.06*

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Mar. 17	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	2.249	4.698	467.5	11.075	4.278	5.198	2288.	2.668	76.90
U.S. Dollar	0.445	1.	2.089	207.9	4.924	1.902	2.311	1017.	1.186	34.19
Deutschemark	0.213	0.479	1.	99.52	2.358	0.911	1.106	487.1	0.568	16.37
Japanese Yen 1,000	2.139	4.811	10.05	1000.	23.69	9.150	11.12	4894.	5.706	164.5
French Franc 10	0.903	2.031	4.242	422.1	10.	3.862	4.693	2066.	2.409	69.44
Swiss Franc	0.234	0.526	1.098	109.3	2.589	1.	1.215	534.9	0.624	17.98
Dutch Guilder	0.192	0.433	0.904	89.95	2.131	0.823	1.	440.2	0.513	14.80
Italian Lira 1,000	0.437	0.983	2.053	204.3	4.840	1.870	2.272	1000.	1.166	33.61
Canadian Dollar	0.375	0.843	1.761	175.3	4.152	1.604	1.948	857.7	1.	28.83
Belgian Franc 100	1.300	2.925	6.109	607.9	14.40	5.562	6.759	2975.	3.469	100.

FT LONDON INTERBANK FIXING (11.00 a.m. MARCH 17)

3 months U.S. dollars		6 months U.S. dollars	
bid 15 1/16	offer 15 3/16	bid 14 15/16	offer 14 15/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

Mar. 17	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	11½ 11¾	14⅛-14⅝	16½-17½	9¾-10	5⅛-6	10⅝-10⅞	11⅜-11⅝	15½-17½	11½-13½	7½-8
7 days' notice	12⅛-12⅜	14¼ 14½	16½-17½	9⅞-10⅛	4¾-5¼	10⅞-11⅛	11⅜-11⅝	16-18	12-13	7¾-8
Month	12⅝-12¾	14⅜-14⅝	16⅝-17	10⅛-10¼	8¼-8⅜	12-12⅛	11⅛-11⅜	16¾-17¾	12⅞-13	7¾-8
Three months	12⅝-12⅞	14⅞-15⅛	16¼-16⅝	10 3/16-10 5/16	8¼-8⅜	11 15/16 12 1/16	11⅞-12⅛	17¾-18¾	13⅜-13¾	7 7/16-7 9/16
Six months	12 9/16-12¾	14¾-15	15⅝-16	10 3/16-10 5/16	8¼-8⅜	11⅝-11¾	12⅛-12⅝	18-19	13⅝-13¾	7½-7¾
One Year	12½-12⅝	14⅝-14⅞	14⅞-15	10⅝-10¾	8-8⅛	11⅛-11¼	12⅞-13⅛	19-20	13¾-13⅞	7½-7¾

SDR linked deposits: one-month 12 9/16-12 11/16 per cent; three-months 12⅝-13 per cent; six-months 12 7/16-12 11/16 per cent; one year 12 9/16-12 11/16 per cent.

Asian $ (closing rates in Singapore): one-month 14 7/16-14 9/16 per cent; three-months 14⅞-15 per cent; six-months 14 9/16-14 11/16 per cent; one year 14 7/16 14 9/16 per cent. Long-term Eurodollar two years 14½-14¾ per cent; three years 14½-14¾ per cent; four years 14½-14¾ per cent; five years 14½-14¾ per cent; nominal closing rates. Short-term rates are call for U.S. dollars, Canadian dollars and Japanese yen; others two-days' notice.

The following nominal rates were quoted for London dollar certificates of deposit: one-month 14.40-14.50 per cent; three-months 14.50-14.60 per cent; six-months 14.45-14.65 per cent; one year 14.20-14.30 per cent.

INTERNATIONAL MONEY MARKET

European rates steady

Interest rates showed little overall change in Europe yesterday. Changes in interbank money rates in Frankfurt were mixed, with call money quoted at 10.50-11.00 per cent compared with 10.00-10.50 per cent on Monday, while the one-month rate eased to 12.70-12.90 per cent from 12.75-13.00 per cent. The Bundesbank's special lombard facility, whereby commercial banks may borrow secured money, remained open yesterday at 12 per cent, and will be open today.

In Rome the Italian Treasury announced its allocation of Treasury bills for the March auction at L12.5 trillion, replacing maturities of L10.25 trillion. *This was seen as about L500bn* below market expectations, but still gives the authorities L2.25 trillion to help finance the heavy public sector deficit. Government officials have often stressed the need to diversify the funding of state debt away from the Bank of Italy, although Treasury bill yields have been consistently lower than the rate of inflation, and would have to be raised to encourage participation from the private sector.

In Tokyo the Bank of Japan cut its discount rate by 1 per cent to 6.25 per cent in a move widely called for by various sectors of industry. At the same time commercial banks' reserve requirement ratios were reduced. This latest package reflected both a general calm in the foreign exchange market and a desire to stimulate economic growth.

UK MONEY MARKET

Small shortage

Bank of England Minimum Lending Rate 12 per cent
(from March 10, 1981)

Day to day credit was in short supply in the London money market yesterday, and the authorities gave assistance on a small scale. This comprised small purchases of eligible banks bills outright. Discount houses were paying 12 per cent for secured call loans at the start, with later balances taken at 11½-12 per cent. The market was faced with a moderate amount of commercial bills maturing in official hands, and a moderate amount of local authority bills. On the other hand banks brought forward balances a moderate way above target, and Government disbursements exceeded revenue transfers to the Exchequer by a moderate amount.

In the interbank market overnight loans opened at 12¼-12½ per cent and eased to 12-12¼ per cent in quiet conditions, and stayed around this level for most of the day. Late balances were taken at 11½-12 per cent.

GOLD

Weaker tendency

Gold weakened in quiet London bullion trading, closing at \$491-\$494, a fall of \$6 on the day. The metal opened at \$498-501, the highest level of the day, and was fixed at \$498.25 in the morning. Gold fell to \$493.25 at the afternoon fixing, and continued to decline reflecting the weakness of North American markets. It finished around the lowest level touched during yesterday's trading.

In Paris the 12½-kilo gold bar was fixed at FFr 85,700 per kilo (\$542.44 per ounce) in the afternoon, compared with FFr 86,000 (\$544.22) in *the morning, and* FFr 86,850 (\$546.11) Monday afternoon.

In Frankfurt the 12½-kilo bar was fixed at DM 33,575 per kilo (\$501.02 per ounce), against DM 33,930 (\$502.01) previously, and finished at \$492-495, compared with \$499-502.

In Zurich gold closed at \$493-\$496, against \$499-502.

	Mar. 17		Mar. 16	
Gold Bullion (fine ounce)				
Close	$491-494	(£218-219¼)	$497-500	(£221-222¼)
Opening	$498-501	(£221¼-222½)	$491-494	(£221-222¼)
Morning fixing	$498.25	(£221.493)	$489.25	(£224.291)
Afternoon fixing	$493.25	(£219.105)	$499.75	(£223.053)
Gold Coins				
Krugerrand	$506-508	(£224¾-225½)	$511-513½	(£228¼-229½)
1/2 Krugerrand	$260-261	(£115½-116)	$263-265	(£117¼-118½)
1/4 Krugerrand	$133-134	(£59-59½)	$134-136	(£60-60¾)
1/10 Krugerrand	$54½-55½	(£24¼-24¾)	$56-58	(£25-26)
Mapleleaf	$502-503	(£223-223½)	$506-507½	(£226-226¾)
New Sovereigns	$123-124	(£54½-55)	$124¼-125¼	(£55½-56)
King Sovereigns	$142½-144½	(£63¼-64¼)	$140-142	(£62½-63½)
Victoria Sovs	$142½-144½	(£63¼-64¼)	$140-142	(£62½-63½)
French 20s	$167-170	(£74¼-75½)	$167-170	(£74½-76)
50 pesos Mexico	$610-615	(£270¾-273)	$615-620	(£274¾-277)
100 Cor. Austria	$480-485	(£213-215¼)	$483-487	(£215¾-217½)
$20 Eagles	$614-619	(£272¾-275)	$616-621	(£275¼-277½)

MONEY RATES

NEW YORK	
Prime Rate	17½-18
Fed. Fund	14¾-14¾
Treasury Bills (13-week)	13.02
Treasury Bills (26-week)	12.30
GERMANY	
Discount Rate	7.5
Overnight Rate	10.75
One month	12.80
Three months	13.375
Six months	12.875
FRANCE	
Discount Rate	9.5
Overnight Rate	11.625
One month	11.8125
Three months	12.1875
Six months	12.4375
JAPAN	
Discount Rate	6.25
Call (Unconditional)	7.9375
Bill Discount (three-month)	7.78125

LONDON MONEY RATES

Mar. 17 1981	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	11¾-12⅛	12-12¼	—	—	12¼	11½-12	—	—	—
2 days notice	—	—	12¾	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	12⅛-12½	12⅞	—	13	12⅞	12	—	—	—
One month	12 9/16-12 11/16	12 9/16-12¾	12½-12⅞	14-13⅝	13⅛	12⅞	12	11⅞	12 1/32	—
Two months	12 11/16-12 9/16	12 9/16-12¾	—	13¾-13⅝	13⅛	13	12	12	11 29/32-11⅞	13¼
Three months	12 9/16-12⅝	12 11/16-12¾	12⅝-12¾	13-12⅝	13	13	12	11 25/32-11 11/16	11 13/16-11¾	12½
Six months	12¼ 12⅛	12⅜ 12 9/16	12¼-12½	12¾-12⅝	12⅞	13	—	—	11 11/16-11½	12 5/16
Nine months	12 3/16-12 1/16	12¼ 12 7/16	—	12¾-12½	12¾	12⅞	—	—	—	11¾
One year	12⅛-12	12 3/16-12 5/16	12⅜	12½-12¼	12 13/16	13	—	—	—	—
Two years	—	—	12½-13	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rates nominally three years 12¾-13⅛ per cent; four years 13-13¼ per cent; five years 13¼-13½ per cent. ♦ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 11 11/16 per cent; four-month trade bills 12⅝ per cent.

Approximate selling rate for one-month Treasury bills 11⅝-11½ per cent; two-months 11⅝-11⅞ per cent; three-months 11 9/16 per cent. Approximate selling rate for one-month bank bills 11 15/16 per cent; two-months 11¾ per cent; three-months 11⅝ per cent; one-month trade bills 13 per cent; two-months 12 11/16 per cent and three-months 12 7/16 per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 14 per cent from March 1, 1981. Clearing Bank Deposit Rates for sums at seven days' notice 9 per cent. Clearing Bank Rates for lending 12 per cent. Treasury Bills: Average tender rates of discount 11.6351 per cent.

Technical Page

EDITED BY ARTHUR BENNETT AND ALAN CANE

Inspection is more than skin deep

DESPITE THE FEELING in the early 1970's that there would be a leap forward in the use of nuclear power, this expansion did not come to pass in Britain, and companies like Weir Foundries (which had increased its capacity to make and test castings to the high requirements of the nuclear industry) were caught on the hop.

Weir then felt that its High Integrity Division was on the shelf and the company was forced to look around for other options.

Metal-forming companies (producers of castings and fabrications) still needed high-integrity testing facilities, but could not justify their installation at current prices (often running into millions of pounds to match Weir's installation at Sheffield), and Weir decided these companies were, now, ready-made customers.

A specialist company was formed not very long ago to offer a full range of non-destructive metal testing and quality improvement services. Weir called it O.H. Hi-Tec—and reports that it has already taken £1m's worth of business.

Long ago, a good casting was one which rang like a bell when it was suspended and hit with a hammer—now, the heart of this specialised testing service is an 8 MeV linear accelerator suspended from the roof of the test house on telescopic arms which, used with a turntable on the floor, make it possible to examine a casting from any angle.

Unlike X-rays and gamma rays or cobalt 60 isotopes, the new system is not just limited to skin-deep inspection. It can "see" through up to 20 inches of steel.

At the Alsing Road, Sheffield, plant the accelerator is contained in a high-roof hall with a 100-ton steel and concrete door, with walls which are in some places eight feet thick. Grouped around it in smaller rooms are X-ray machines, gamma radiography machines using cobalt 60 and iridium 192 isotopes, and equipment for dye penetrant and magnetic particle testing.

For nuclear work, each casting must have a detailed record covering such aspects as its chemical composition, mechanical properties and examination results. The last are documented by a radiologist and subsequent specification and weld sketch are presented to the store before the approved electrode can be drawn.

Every stage is documented and signed for by the operator as are the procedures for heat treatment, testing, and the composition of the chemicals used in testing. The ASME code also actually lays down the conditions under which the chemicals must be stored.

Nuclear power stations have to meet exceptional safety standards, but reliability is vital, too, for isolated plants such as oil rigs or indeed, wherever complicated industrial processes are being carried out. This is where O.H. Hi-Tec says its future lies.

DEBORAH PICKERING

Automatic hardness testing

AN AUTOMATED instrument put on the market by Engineering and Scientific Equipment of Wembley (01-903 4721) can carry out the Jomny test for the hardenability of steels in about five minutes.

Normally, a technician can carry out only two or three of these tests in a day; they involve producing a large number of indentations at predetermined intervals on opposite sides of a cylindrical specimen that has been quenched from one end in water after heating to the austenitic temperature.

The new instrument is computerised and has a large storage capacity for various programs of Jominy tests. An alpha numeric keyboard allows new specifications or modifications to existing specifications to be entered. Indentations are made automatically at prescribed spacings, indentation depths recorded and the results printed out on a recorder in the form of deviation from a norm. The machine has a precision positioning system with a resolution of one micron.

SES says that, with the aid of some robotics complete automation can be achieved, dispensing with an operator completely.

Testing time for the engine testers

BY ALAN CANE

"THERE ARE 19 reasons why an engine is rejected—and only two of them require the engine to fire." Fortunately for the speaker, Mr. Arthur Shillitto, managing director of Froude Engineering, those two reasons are keeping his firm in business.

Froude is a member of a tiny, very exclusive club of companies qualified to test engines ranging from the ordinary work horse in the domestic motor car to the monsters, pushing out over 100,000 brake horse power, which drive tankers and electricity generators.

Dynamometers

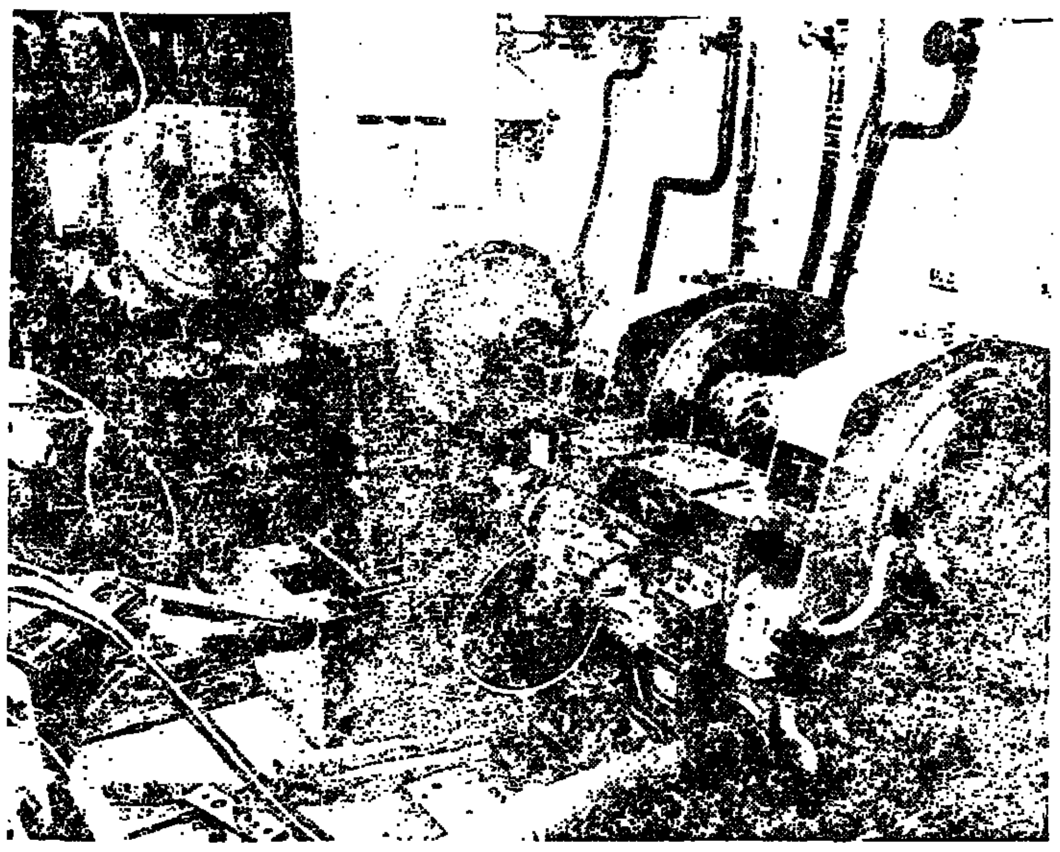
Froude builds dynamometers and has been doing so for just 100 years.

It sells its machines and its expertise all over the world. The chief competition, in fact, comes from another European company, Schenck of West Germany, while the U.S. boasts companies such as Go Power, Clayton and Eaton.

It is not alone in this country either, with competitors such as Hawker Siddeley and Autosense of Bicester.

But according to Mr. Shillitto, Froude offers a wider portfolio of testing equipment than any of its competitors. The U.S. companies, in particular, seem to specialise in small, portable dynamometers which can be attached to the engine under test.

And the Japanese, despite their undoubted skills in the manufacture of motor cars and ships, *seem behind in engine testing*. At Froude's Gregory's Bank factory in Worcester, a test rig has been assembled to prove a new dynamometer due for shipping to Ishakawajima-Harima Heavy Industries of Japan where it will be used to test aircraft engines. *Most of the rig is taken up with a massive gear train to provide* the necessary revolutions per minute.



A high speed dynamometer destined for Japan sits in its test rig at Froude's Worcester plant

At the other end of the scale, Froude has supplied the Ford Escort engine plant at Bridgend, South Wales, with the facility for testing up to 195 engines an hour.

Of course, the larger marine diesel and aero engines have always been tested for long periods—eight hours or more—before commissioning, but Ford's use of this sophisticated testing technology for each individual engine is comparatively new.

But all car manufacturers are going down that road. As Mr. Shillitto says: "The trend is to use dynamometers and to test every engine."

The dynamometer is simply a device for measuring machine power—modern dynamometers despite the sophistication of their circuitry and the elaborate computer techniques used for monitoring still work on the same principles devised by William Froude in the 1870s.

Hydraulic dynamometers convert engine power into hot water; practically, they consist of a fan-like rotor with cup-shaped blades running inside a watertight casing. The engine under test drives the rotor and water forms a fluid coupling between the rotor and its casing—the full torque of the engine is therefore transferred to the casing and the force necessary to keep the freely suspended casing from rotating a measure of the power of the engine.

Test centre

After almost a century of building dynamometers on this pattern, Froude had all the technology it needed at its fingertips; but in 1974, morale was low.

Mr. Shillitto pointed out: "All the technology was here. It just had to be shown the light of day. We revised the product range to make a better fit for the market. Until then we had the old British attitude that the customer should come to us. Now most of our work is helping the customer to understand how best to use engine measuring devices."

The company has just opened its major contribution in this area—an advanced facility for engine testing at the Gregory's Bank works.

It is a joint venture established by Froude and Fisher Controls with support from the Department of Industry.

The "Engine Test Technology Centre" as it is called is a two-cell unit incorporating a GEC 4070 computer which controls both test beds. British Leyland is already using the facility to develop computer software programs and test the performance of the "O" series engine fitted in the Marina and Princess ranges.

The centre is now available for hire with full consultancy and technical back-up from Froude.

The economic picture is less cheerful. Froude turned over about £14.5m to year end September 1980, but Mr. Shillitto thinks the company will be lucky to reach £13m this year.

Graphs in his office show a depressing shortage of orders coupled with a remarkably high rate of inquiries from potential customers.

Mr. Shillitto and Mr. John Osola, chief executive of the parent Redman Heenan group, believe the recession has bottomed and are waiting anxiously for the upturn.

Froude is on 0905 27166.

NEWS IN BRIEF

MATERIALS

TOUGHENED abrasion resistant polycarbonate sheet produced by Rohm and Haas in the United States has been introduced into Britain by James Clark and Eaton, Southern Industrial Estate, Bracknell RG12 (0344 24733) for commercial and industrial users.

Known as Tuffak CM-2, the material is claimed to be 800 times stronger than glass but only half the weight of glass of similar thickness. It is supplied in sizes from 2 metres by 1.22 metres, 2.5 metres by 1.5 metres and 3 metres by 1.83 metres, and in thicknesses from 3 mm to 12 mm.

LUBRICANTS

NON-TOXIC synthetic lubricants for use with machine tools and other metal-working machinery, developed by the *Boeing aircraft company in the* United States, have been introduced to the UK market by FieldTech, Heathrow Airport, Hounslow, Middlesex (01-759 2811) under the name Boelube. Designed to replace aerosol-applied lubricants incorporating the Freon coolant compounds which are so destructive to the ozone layers in the Earth's atmosphere, Boelube lubricants are available in liquid, paste or solid block form.

FieldTech claims that they are non-flammable, non-toxic, non-irritating, odourless, easily applied and easily washed off with warm water and mild detergent.

ELECTRONICS

THIRTY 15kVA 400Hz rotary-electric/electric frequency converters are to be supplied to the Ministry of Defence (RAF) by Electro Dynamic Construction Co. of St. Mary Cray, Orpington, Kent, a subsidiary of Warwick Engineering Investment.

The equipment which will cost £120,000, will be used for testing electronic equipment on aircraft while they are in their hangars or for testing individual items of aircraft equipment in the workshop.

INSTRUMENTS

DESIGNED FOR monitoring one or more remote temperature sources, an electronic direct-reading thermometer system introduced under the name Remometer by Natural Energy (Jersey), 40 Kensington Place, St. Helier, Jersey (0534 75521) may be used as a portable instrument or installed permanently. The power source is two 9V dry batteries.

The multi-purpose sensor, enclosed in a waterproof, gas-tight copper cylinder measuring 40 mm by 10 mm, may be permanently bonded or strapped to the surface of pipes, tanks or other surfaces with a temperature to be measured. It can be totally immersed in liquids, soil, granular or powdered materials, *or suspended in enclosed gases* or the atmosphere. When the instrument is used as a portable thermometer the sensor must be in a position for two minutes before a reading is taken.

A reading on the Remometer scale is made by pressing a small spring-loaded switch on the front of the instrument. It is indicated in Centigrade and Fahrenheit simultaneously, the range being minus 15 deg. C to plus 88 deg. C or 0 deg. F to 190 deg. F.

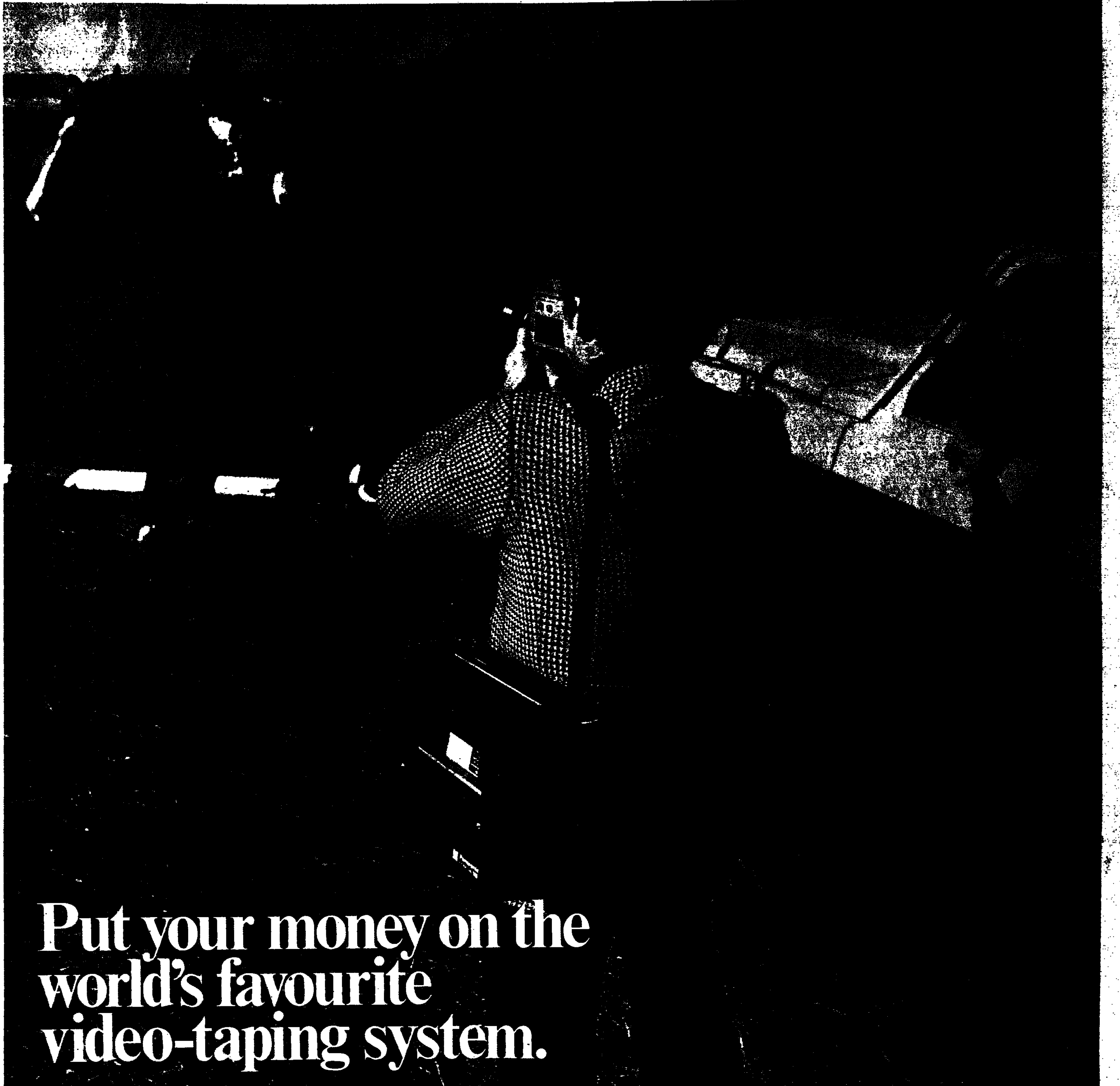
PROCESSING

CALLED THE Brabender Thermorheograph (TRG) this apparatus measures the flow and crystallisation properties of fat mixtures, tempered chocolate and sugar-fondant masses in the confectionery, chocolate and baking industries.

A sample is tested in a temperature-controlled measuring mixer and a balance system measures the resistance exerted by the examined material against the movement of mixing blades.

The torque is displayed graphically and numerically, together with the sample temperature, on a multi-pen continuous-line potentiometric recorder.

Different measuring heads may be connected to the basic instrument, according to requirements, extending the applications of the apparatus. Marketed in the UK by Henry Simon (part of Simon Food Engineering), PO Box 31, Stockport (061-428 3600).



Doing justice to Nigel's first Junior Cross Country calls for something a lot more sophisticated than a box brownie.

Panasonic's new portable video system would do nicely.

The colour video camera (WV-3000) is very compact and weighs only 1.5kg.

Its 3x zoom lens with automatic iris makes video-taping as easy as falling off a horse.

It works indoors and out. And you can replay immediately on the 1.5″ TV monitor/viewfinder. If you don't like the results, just rewind the tape and reshoot.

You can tape for up to four hours on one video cassette. With a clever electronic editing system that automatically eliminates annoying "picture noise" between "takes".

The NV-3000 portable video deck works off mains, a rechargeable one hour battery pack or the battery in your car. So you can use it anywhere.

Despite its size, our new baby has still frame, single frame advance and quick/slow motion capability.

A matching, programmable TV tuner/timer (NV-V300) is also available. It allows TV programmes of your favourite shows and sports to be recorded.

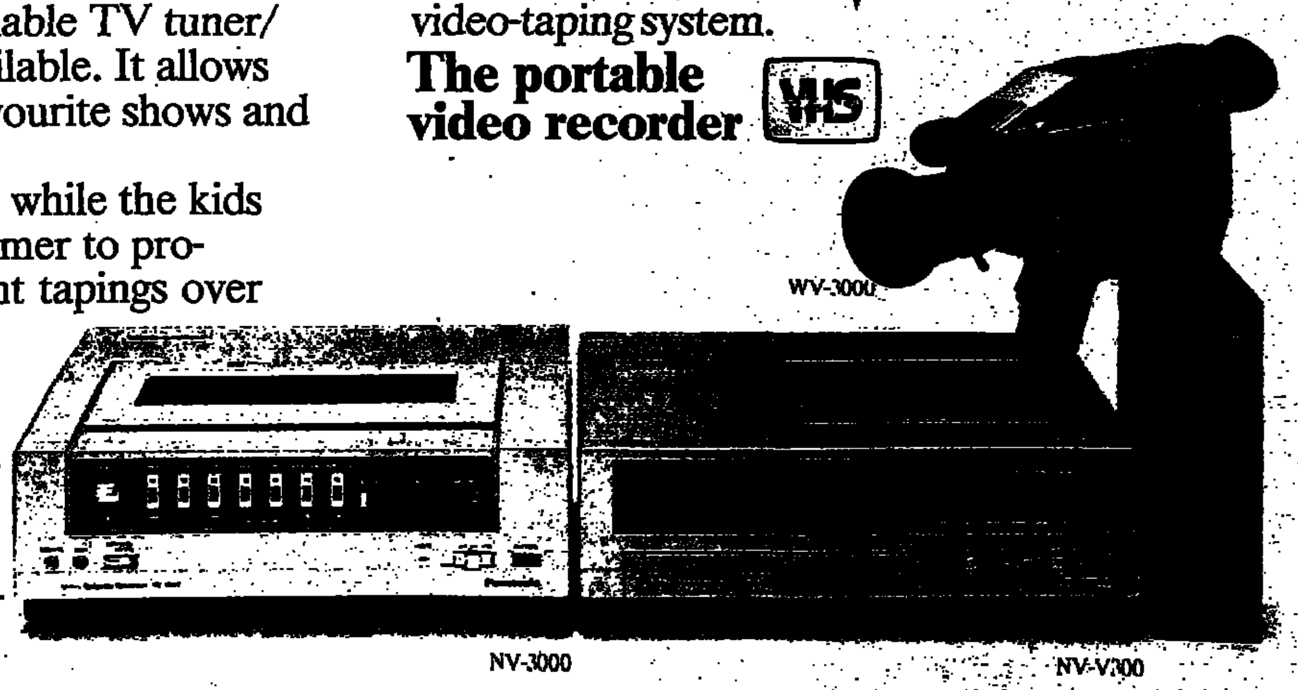
You can tape one show while the kids watch another. Or use the timer to programme up to eight different tapings over 14 days.

As Japan's biggest consumer electronics group, Matsushita Electric has produced over 2.5 million VHS units.

Panasonic video recorders use an aluminium diecast chassis. Not a flimsy stamping. And a quartz-locked, direct-drive motor keeps the picture rock-steady.

No wonder VHS has galloped ahead of the field to become the world's favourite video-taping system.

The portable video recorder VHS



Panasonic

Panasonic, National and Technics are the brandnames of Matsushita Electric.

As well as the camera shown, we also offer a power zoom version, the WV-3200, and the budget-priced WV-2600. For further details please contact: National Panasonic (UK) Ltd., 308/318 Bath Road, Slough, Berks SL1 6JB. Tel: Slough 34522.

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Peter Montagnon looks at Grand Duchy banking

Luxembourg role reviewed

LOOKED AT from one perspective, Deutsche Bank's subsidiary in Luxembourg had an extremely good year in 1979-80. There was a sharp increase in business volume and the surplus of interest earned over interest paid jumped to LuxFr 2.2bn ($60.5m) from LuxFr 1.4bn a year before.

From another perspective, it was an extremely bad year. Declared net profits slumped to zero from LuxFr 578m by means of an accounting device which leaves the outside observer totally at a loss as to the underlying performance.

The device used by Deutsche Bank (Luxembourg) was to apply its profits to a hidden reserve against specific bad risks in its international loan portfolio.

The bank will not disclose the amount involved, still less the nature of the business deemed so doubtful as to be worthy of such a dramatic step. However, it is widely assumed in Luxembourg that the reserves were established against loans outstanding to Iran and part of the amount owing from Poland.

The decision to declare zero profit also saved the bank a considerable amount of tax. Its payments to the Luxembourg exchequer dropped to LuxFr 218m from LuxFr 657m and while Iran's decision to repay debt owing to European banks means that some extra tax may now fall due, the case of Poland is still far from resolved.

This may encourage other German banks in Luxembourg to follow Deutsche Bank's example.

But if other banks also move over to "zero-profit accounting," it will become more difficult to assess the commercial viability of Luxembourg as a banking centre.

What is freely admitted by German bankers in the Grand Duchy, however, is that Deutsche Bank's results have focused attention on the real trend in profits—which is down.

The reasons for this are clear. Declining margins on syndicated lending and the need to sell or write-down securities holdings because of soaring interest rates have severely impaired the banks' ability to generate profits at the accustomed rate.

Few bankers believe that high margins and low interest rates will now return. Most therefore feel it is inevitable that Luxembourg's role as a financial centre is going to be radically reviewed.

For the German banks, this means switching the emphasis away from balance sheet growth for its own sake and back to the basic aim of making money. This is all the more necessary in view of the impending requirement for German banks to consolidate their balance sheets and put up more capital to support their external businesses.

Taking the likely capital requirement into account, most German bankers in Luxembourg now say that a syndicated loan must yield at least ¾ per cent over interbank rates to be commercially viable. Instead, they are lending increasingly from the Euromarket

With most sovereign risks in Europe now paying less than ½ per cent, it is hardly surprising that the German banks have all but quit this form of business to small and medium-sized clients in Germany.

But increasingly the banks are looking to a more fundamental form of diversification—into business normally handled by investment banks and which generates fees without absorbing much in the way of capital.

It is no coincidence that Luxembourg has recently begun to develop a local market in certificates of deposit, that it has just started a daily gold fixing on the stock exchange, and that legislation to tighten up bank secrecy is currently before the legislature.

These all represent efforts to steal a leaf out of Switzerland's book by developing a fund management market for wealthy private investors.

Already such fiduciary accounts are increasing rapidly. Last year they jumped to an aggregate LuxFr 41bn from LuxFr 29bn in 1979.

But they still represent a small fraction of the total balance sheet footings of all Luxembourg banks, which at end December, 1980 stood at LuxFr 3,917bn.

Increasing the proportion will be an uphill fight and no one expects 1981 to be an easy year for the foreign banks in Luxembourg. Yet most hope that the development of a new retail market will lead to a more balanced and diversified financial system, which has become lopsided through concentration on wholesale business.

EARNINGS TREND FOR GERMAN BANKS IN LUXEMBOURG (figures in LuxFr)

	Year ending		1980	1979	1978
Commerzbank	31/12	net profit	*	299m	619m
		total assets	*	250.1bn	177.6bn
Deutsche	30/9	net profit	nil	578m	550m
		total assets	309.6bn	260.7bn	221.7bn
Dresdner	31/3	net profit	1.06bn	1.16bn	1.08bn
		total assets	320.9bn	256.2bn	221.2bn
WestLB	30/9	net profit	484m	587m	673m
		total assets	139.5bn	119.6bn	108.4bn

* Figures still pending.

Peak sales for Sony despite yen strength

By Toko Shibata in Tokyo

SONY CORPORATION, the Japanese electrical appliances maker increased its consolidated sales by 17.7 per cent in the first quarter of the financial year, to a record Y261.16bn ($1.3bn) from Y221.96bn in the three months to January 31, 1980, in spite of a sharp rise in the value of the yen in the foreign exchanges.

Higher costs faced by overseas subsidiaries after translation into yen meant that operating profits were down 13.1 per cent to Y33.89bn ($163.5m), but net profits rose 3 per cent to Y20.12bn, their highest point, helped by Y8.1bn of exchange gains arising from the conversion of overseas liabilities into yen and forward exchange deals.

Overseas sales in local currencies soared. Sony's sales in U.S. dollars rose by 27 per cent, and those in the sterling by 50.7 per cent. The effect of the strength of the yen on these increases was compensated for by the substantial growth in sales volume in its major products, including the Walkman headphone stereo cassette players and videotape recorders (VTRs).

Sales of tape recorders and radios increased by 30 per cent, to account for 16.6 per cent of the total turnover. The company aims to sell 1.5m to 2m sets of its Walkman recorder for the full year.

In the first quarter VTR sales (up 45.1 per cent to account for 26 per cent of the total) for the first time exceeded television set sales, which accounted for 24.3 per cent of the total. VTR sales in the full year are expected to reach 1.5m, compared with 850,000 units in the previous fiscal year. Colour TV production in the year is estimated at 2.7m units, compared with 2.4m in the previous year, of which overseas production will account for 1.05m sets.

Overseas sales, including exports, increased 17.1 per cent, to take a 65.4 per cent share of the total. Domestic sales rose by 18.7 per cent.

Capital outlays for the current year are planned at Y70bn to Y80bn, more than half of which is designated for expansion of VTR, VTR tapes and semiconductor capacity. The first quarter capital outlay totalled Y18.4bn.

Du Pont names chairman to replace Shapiro

By Paul Betts in New York

Mr. Edward Jefferson, an Englishman, has been named as the new chairman of Du Pont, the leading U.S. chemicals conglomerate.

widely expected and the English chemist, who joined the U.S. chemicals company 20 years ago, will take over at the end of April from Mr. Irving Shapiro, the company's retiring chairman.

Mr. Jefferson, who became president of the company last year, has been one of Du Pont's principal architects in its recent policy of diversification into specialty products, especially in the field of biosciences.

Mr. Jefferson has said that Du Pont was looking for an acquisition in the pharmaceutical sector at the same time as expanding its presence in the health care and agricultural chemicals sectors.

Du Pont has also named a new president to succeed Mr. Jefferson. He is Mr. Richard Hecker who joined Du Point in 1949 as a research chemist and recently was closely involved in the group's marketing operations.

Court upholds asbestos move

By Robert Gibbens in Montreal

CANADA'S SUPREME Court has upheld the right of the Quebec Government to expropriate Asbestos Corporation of Montreal, the second largest fibre producer in Canada and 54 per cent owned by General Dynamics of the U.S.

A special five-judge panel rejected an application by the company for an injunction against expropriation. The court also refused to hear the company's appeal of a lower court ruling that Quebec has the constitutional power to expropriate Asbestos Corporation.

The Supreme Court decision appears to remove the last legal barrier to expropriation.

ONE MAJOR URANIUM PRODUCER LEFT TO SETTLE

Westinghouse suits draw to a close

BY PAUL CHEESERIGHT

THE WESTINGHOUSE uranium litigation, which has dogged the nuclear power industry since 1975, is within reach of final settlement. The agreements announced yesterday with all but one of the international producers involved leaves only the minor actors.

It has been one of the biggest litigation exercises in corporate history. More than 60 companies have been involved at one time or another. The potential liabilities have run into billions of dollars. It has aroused fresh international controversy about the application of U.S. anti-trust laws outside U.S. borders and been the subject of continuing diplomatic protests.

But it has never been fully explained why Westinghouse worked itself into the situation which set off the litigation in the first place. In the 1960s and early 1970s it was signing uranium supply contracts but making no provision to ensure access to the uranium it would eventually need.

By 1974-75 the group realised that it had made a serious miscalculation. The uranium price was rising and Westinghouse would be forced to buy 65m lbs at prices higher than those at which it had agreed to supply. It said it could not honour the contracts, pleading "commercial impractability."

Immediately, it was sued by 27 utilities in 17 actions. All of these actions save one have now been settled, involving Westinghouse in cash payments, the provision of services and, of course, the supply of uranium. These settlements will be worked out into the next century.

Westinghouse's counter-attack was to seize on the leak of documents fro mMary Kathleen Uranium, the Australian uranium producer in the Rio Tinto-Zinc of London group, and charge 29 U.S. and foreign producers with operating a cartel. It demanded triple damages.

This case, which has been in a Chicago court at a pre-trial stage since 1976, is the one which is now crumbling as the pace of out-of-court setlements quickens. Earlier this year there were agreements with Gulf Oil, Gulf Minerals Canada and Getty Oil. This accounted for the main North American defendants.

Yesterdal's settlement with the RTZ companies removes the rest of the main defendants. The out-of-court settlements has brought Westinghouse $100m to offset the cost of its agreements with the utilities and also given it access to the uranium needed to meet supply contracts.

Mr. Robert Kirby, Westhinghouse chairman, said yesterday that the group's remaining uranium supply obligation from its own resources is 5m lbs. This can be met by a subsidiary

Bundesbank props DM yields

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

THE BUNDESBANK has emerged as a heavy seller of domestic bonds in the German capital market. Bankers estimate it offloaded more than DM 200m worth of such paper on stock exchanges across the country yesterday and this follows similarly large offerings at the end of last week.

The sales come at a time when long-term interest rates have begun to show signs of dropping again after the sharp rise which followed the suspension of the Bundesbank's Lombard facility in late February.

Demand for paper has been building up in the bond market, but with few investors willing to sell at the moment the Bundesbank apparently decided to even out supply and demand and prevent a sharp drop in yields.

Dealers in Frankfurt said that a similar pattern has developed in the foreign bond market where a shortage of new paper and a steady flow of interest is not being matched by sales. Prices yesterday rose by about ½ points on average.

Straight dollar Eurobonds showed similar gains yesterday, although the upward momentum petered out in the afternoon on lack of an advance in New York.

While there has been some demand from retail investors, dealers said the Eurobond market is being held back to some degree by fears that the recent run-up in prices could still prompt a sudden spate of new issues.

The only new issue launched yesterday was in the floating rate note (FRN) sector and had been expected for some weeks. Pemex is raising $125m over ten years at a margin of ¼ per cent over six-month Libor. The minimum coupon has been set at six per cent by lead manager Credit Commercial de France.

In the Swiss franc market where prices were unchanged despite the weaker tone of the dollar, Cie Francaise des Petroles is raising SwFr 80m through Credit Suisse. The ten-year issue bears a coupon of 6¼ per cent and is priced at par.

ENEL, the Italian state electric utility, meanwhile, is expected within a few weeks to float the first FRN denominated in special drawing rights.

Dillon Read will manage the SDR 100m issue, which is for five years, extendable to eight, and priced at a margin of ¼ per cent over London interbank rates for the five currencies concerned.

U.S. Steel calls off coal deal

By Paul Betts in New York

U.S. STEEL, the largest steel company in the U.S., yesterday called off its proposed $750m sale of coal properties to Standard Oil of Ohio (Sohio), the U.S. oil group 53 per cent owned by British Petroleum.

U.S. Steel said the transaction had been cancelled because of differences over the price the oil company was to pay for coal properties in Pennsylvania and West Virginia containing more than 800m tons of reserves. Sohio and U.S. Steel reached an agreement in principle on the sale last December.

U.S. Steel said: "In a transaction of this magnitude differences of opinion concerning the value of individual mine fields and mining operations can arise. Successful resolution of these differences was not possible in this instance."

The cancellation of the transaction comes almost a week after Sohio reached agreement on the $1.77bn takeover of Kennecott, the leading U.S. copper producers. However, after the Kennecott announcement, Sohio indicated it intended to go ahead with its coal deal with U.S. Steel.

Although the size of the Kennecott transaction led to speculation that Sohio might opt out of the coal deal, the oil company indicated it still had a substantial amount of cash which would enable to go ahead with both transactions.

Both deals reflect Sohio's efforts to diversify its operations in other natural resources to offset an eventful decline in earnings from its Alaska oil fields

Sohio already has some 1.1bn tons of coal reserves, but has been looking to increase there reserves to around 2bn tons. The U.S. Steel deal would have left Sohio close to its target.

Gulf Oil cuts refining capacity

By Our Financial Staff

GULF OIL yesterday became the second large U.S. oil group this month to shut down some of its refining operations because of the drop in demand for U.S. petroleum products.

Gulf, the fifth largest U.S. oil group, said it was closing its Toledo, Ohio, refinery and part of its Venice, Louisiana, facility because its domestic refining system was expected to operate at only about 75 to 80 per cent of its more than 900,000 barrels a day capacity this year.

The oil group added that public conservation efforts and excess refining capacity in the industry would reduce demand this year and in coming years.

Time to raise spending on video operations

BY OUR FINANCIAL STAFF

TIME, the U.S. publishing group, expects to boost its capital spending from $242m to $300m in the current year, with around 60 per cent devoted to expansion of its video operations, mainly cable television.

Funds for the spending will come from the recent $145.6m preferred share issue and from internal sources and loans, the company says in its annual report.

Time, which has begun talks with Columbia Pictures Industries on the sale of its Time-Life television and motion pictures division, revealed that these operations incurred a loss of about $9m in 1980, a year in which Time's group earnings were $141.2m against $143.9m in 1979.

It said that while both cable television and motion picture production were capital intensive it had decided to opt for cable television. The decision to sell the film interests largely was based on a "determination of how the video group could best use it capital."

It saw its involvement in cable television as that of a marketer of cable services rather than as a network or system operator.

St. Joe bid move

St. Joe Minerals, the resources group, has filed suit in Kansas City seeking to stop the $2bn tender offer for St. Joe by Seagrams, agencies report. Seagram, the world's largest distillers, describes the suit as without merit.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Tuesday, April 14.

Closing prices on March 17

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amoco 13¾ 88	75	96⅞	97⅛	+0⅛	+1½	13.93
CECA 11½ 88	100	89¾	89⅞	+0⅛	+1⅛	13.85
CNE 12¾ 91	100	92½	93	0	+1⅛	14.14
Citicorp O/S Fin. 10 86	300	87⅛	87⅝	+0⅛	+1¼	13.45
Citicorp O/S Fin. 12 87	200	92⅛	92⅞	+0⅛	+1⅛	13.73
Con. Illinois O/S 9¾ 88	150	84⅞	85⅛	+0⅛	+0⅛	13.90
Denmark 11¾ 90	100	86½	87	+0⅛	+0⅛	14.41
Dupont Canada 13½ 91	66	96⅞	97⅝	+0⅛	+1⅛	14.04
EEC 11 85 (May)	75	81⅛	81⅞	+0½	+1⅛	14.04
EEC 11 85 (August)	70	79⅞	80⅛	+0⅛	+1⅛	14.33
EIB 13¾ 90	100	98	98½	+0½	+1⅛	14.08
Eksportfinans 9½ 87	75	82⅛	83⅛	+0⅛	+0⅛	13.85
Eldorado 13¾ 86	50	96⅛	97⅛	+0⅛	+0½	14.13
Elec. de France 10 88	125	83⅛	83⅞	+0½	+1⅛	13.69
Elec. de France 13 88	125	96⅛	96⅞	+0½	+1⅛	13.77
Export Dv. Cpn. 12¾ 87	100	95⅞	96⅛	+0⅛	+1⅛	13.76
Export Dv. Cpn. 9½ 86	150	85	85½	+0⅛	+1⅛	13.87
Fed. Bk. D. 12¾ 85 (N)	50	94⅞	95⅛	+0½	+0½	13.76
Fin. Exp. Credit 10½ 85	50	87⅛	87⅞	+0½	+0⅛	14.57
Finland, Rep. of 9½ 86	100	82⅛	83⅛	+0⅛	+0⅛	14.56
Ford Credit O/S 14⅛ 83	150	98⅞	99⅛	+0⅛	+1⅛	14.82
Ford Cr. O/S Fin. 16 84	150	103⅛	103⅞	+0⅛	+0⅛	14.35
Gaz de France 13½ 86	80	99⅛	99⅞	+0½	+1⅛	13.61
GMAC O/S Fin. 12 87	100	90⅛	90⅞	+0⅛	+1⅛	14.28
GMAC O/S Fin. 12⅞ 88	100	93⅛	93⅞	+0½	+1⅛	14.37
Gen. Mtrs. O/S 11⅛ 87	100	89⅛	90⅛	+0⅛	+0⅞	14.14
GTE Fin. 13¾ 86 (WW)	50	98⅛	99⅛	+0½	+0⅛	14.05
Hudson's Bay 11½ 90	75	86⅛	86⅞	+0½	+0⅛	14.18
IBM Wld. Trade 12½ 88	200	97	97½	+0⅛	+1⅞	13.11
Newfoundland 13½ 90	60	95⅛	96⅛	+0⅛	+1⅛	14.30
Nova Scotia 10⅛ 90	50	83⅞	84⅛	+0⅛	+1⅛	13.91
OKB 10 85	50	88	88⅞	+0⅛	+0½	13.73
Ontario Hydro 13½ 91	100	96⅞	97⅛	+0⅛	+1⅛	14.06
Quebec Hydro 11½ 92	100	84⅛	84⅞	+0⅛	+1⅛	14.30
Queb. Hy. 13 91 (WW)	100	93	93½	+0⅛	+1⅞	14.30
Royisse 11¾ 85	50	91⅞	92⅛	+0⅛	+0⅛	13.78
SNCF 12⅞ 85	50	96	96½	+0⅛	+1⅛	13.58
SNCF 13 91	75	95	95⅛	+0⅛	+1	13.90
Sven Handelsbk. 13¾ 86	45	96⅛	97⅛	+0⅛	+1⅛	14.47
Sweden 12⅞ 85	150	94⅞	95⅛	0	+0½	13.84
Swed. Ex. Credit 12 83	50	94½	95	+0⅛	+0½	14.52
Swed. Ex. Credit 13 86	75	95½	96	+0½	+0⅛	14.24
Tribune O/S Fin. 14 86	50	98½	99	+0⅛	+1⅛	14.35
World Bank 9¾ 85	200	88⅛	88⅞	+0⅛	+0⅛	13.40
World Bank 10⅛ 87	300	85⅞	86⅛	+0⅛	+1	13.70

Average price changes... On day +0⅛ on week +1⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asia Dev. Bk. 8½ 90	100	88⅞	89⅛	+0⅛	+1⅛	10.16
Australia 8¾ 90	250	93⅛	94⅛	+0⅛	+2⅛	9.13
Austria, Rep. of 8¾ 92	150	89	89⅛	+0⅛	+1⅛	9.81
BFCE 8¾ 95	100	86⅛	87½	+0⅛	+1⅛	9.86
CECA 7⅞ 92	150	87½	88⅛	+0⅛	+0⅞	9.66
Cll-Honeywell 8¾ 90	125	90⅛	91⅛	+0½	+0⅛	9.88
Denmark 8¾ 92	100	89½	90⅛	+0⅛	+0⅛	9.80
EIB 8½ 90	200	91⅞	92⅛	+0⅛	+0⅛	9.77
ESCOM 9¾ 87	100	91⅛	92½	0	+0⅛	10.96
Iberduero SA 9 90	100	91⅛	92⅛	+0⅛	+1⅛	10.36
Ind. Bk. Finland 8½ 90	50	89⅛	90⅛	+1⅛	+3⅛	10.21
Japan Air Lines 8½ 87	100	92⅛	93⅛	+0⅛	+1	9.55
Japan Dev. Bank 7⅞ 87	100	89⅛	90⅛	+0⅛	+1⅛	9.77
Kobe, City of 8 90	200	89⅛	90⅛	+0⅛	+1	9.73
Midland Int. Fin. 8½ 90	100	92½	93⅛	+0⅛	+1⅛	9.66
Norway 7½ 85	250	93⅛	94⅛	+0⅛	+0⅛	9.42
Nuclebras 9¾ 88	100	85⅛	85⅞	+0⅛	+1	12.72
OKB 8¾ 92	150	87⅛	88½	+0⅛	+1⅛	10.04
Oslo, City of 8⅞ 90	50	94	94⅛	+0⅛	+1	9.72
Venezuela, R. of 9¾ 90	150	93⅛	93⅞	0	+0⅛	10.85
World Bank 8 90	200	88⅞	89⅛	+0½	+0⅛	9.88
World Bank 10 88	150	102⅞	103½	+0⅞	+0⅞	9.20
World Bank 10 90	200	101⅞	102⅛	0	+1⅛	9.61

Average price changes... On day +0⅛ on week +1

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Austria, Rep. of 5¾ 90	100	92⅛	93½	+0⅛	+3⅛	6.40
BFCE 6½ 91	100	101½	101⅞	0	+0⅛	6.27
Bayer Int. Fin. 5¾ 92	100	91⅛	91½	−0⅛	+0⅛	6.32
Bergen, City of 6 90	50	96½	96⅞	+0⅛	+2	6.49
Buhrm'n-Tetterode 7 90	40	100⅛	101⅛	−0⅛	−0⅛	6.85
Copenhagen Tele. 5¾ 90	80	91⅛	91⅞	+0⅛	−0⅞	6.96
Denmark 5¾ 90	80	91	91⅛	−0⅞	+3	7.08
Dome Petroleum 5¾ 91	100	93⅛	93⅞	0	+0⅛	5.63
Elec. de France 5¾ 90	100	92½	92⅞	+0⅛	+1⅛	6.35
Eurofima 5¾ 92	80	99⅛	100	−0⅛	+0½	5.78
F. G. H. Hypo. Bk. 6 90	50	†96⅛	96⅞	−0⅛	+1	5.51
Finland, Rep. of 6¾ 90	80	†91½	92	+0⅛	+1⅛	6.83
Int.-Amer. Dev. 7 90	80	†101½	101⅞	−0⅛	+1⅛	6.75
Japan Dev. Bank 5¾ 90	100	94⅛	95⅛	+0⅛	+0⅛	6.48
Jutland Tele. 5½ 90	50	†93½	89⅛	+0⅛	−1⅛	7.23
Mt. Blanc Tunnel 5¾ 90	60	†92½	93	+0⅛	−1⅛	6.55
Newag 5¾ 90	80	92⅛	92½	−0⅛	−1⅛	6.88
Norges Komm. 4¾ 91	80	84½	84⅞	+0⅛	+2⅛	6.42
OKB 6 90	100	94⅛	94⅞	−0⅛	−2⅛	5.80
Oslo, City of 4¾ 91	100	81⅛	81½	+0⅛	+0½	6.91
Oslo, City of 5⅞ 90	80	94	94⅛	0	−2⅞	6.72
Philips Lamps 5¾ 92	100	89½	89⅞	−0⅛	+0⅛	6.57
Sekisui Pre. Hms. 6 90	80	95⅛	95½	+0⅛	+1⅞	6.68
Trade Dev. Fin. 6½ 90	50	95⅛	95⅞	+0⅛	+2⅛	8.78
Voest-Alpine 5¾ 90	80	93⅛	93½	+0⅛	+1⅛	6.71
World Bank 6 91	100	94⅞	94⅛	−0⅛	−0⅛	6.76

Average price changes... On day 0 on week +0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 5.6 83	30	93⅛	94⅛	+0⅛	+0⅞	8.43
Australia 6½ 88	20	87⅛	88⅛	−0⅛	+0⅛	8.87
EIB 7⅛ 89	12	93	94	−0⅛	+0⅛	8.86
Finland 5.6 83	10	92⅛	93⅛	+0⅛	+0⅛	8.84
Finland 6.8 88	10	87⅛	88⅛	0	+0⅛	9.18
Finland, Rep. of 8½ 87	15	96⅛	97⅛	0	+0⅛	8.96

Average price changes... On day +0⅛ on week +0½

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 10¾ 86 C$	60	91½	92	0	+0⅛	12.92
CIBC 13½ 85 C$	50	97⅛	98⅛	0	−0⅛	14.13
CIBC 11½ 85 C$	60	91½	92¾	0	−0⅛	14.08
Federal Dev. 11½ 90 C$	60	†86⅛	88⅛	+0⅛	−0⅛	14.33
Pat. Can. Inv. 10 84 C$	50	†89	89⅞	+0⅛	+0⅛	14.38
R. Bk. Canada 10 85 C$	40	91⅛	92⅛	+0⅛	+0½	12.12
Tordom Cpn. 13⅞ 85 C$	30	†98⅛	99	+0⅛	+0½	13.92
M. Bk. Dnmk. 9 91 EUA	25	89⅞	91	0	+0⅛	10.55
SOFTE 8¾ 89 EUA	40	85½	86⅛	0	−0⅛	10.92
U. Bk. Nrwy. 9½ 90 EUA	18	97	98⅛	0	+0⅛	9.91
Algemene Bk. 10¾ 86 Fl	60	98⅛	96⅛	+0½	+0⅛	11.20
Bk. Mees & H. 10 85 Fl	75	97⅛	98⅛	0	+0⅛	10.52
Heineken NV 10 87 Fl	100	96⅛	96⅞	+0⅛	+0⅞	10.77
Nat. Nedrlndn. 10 88 Fl	80	95½	96	+0⅛	+1⅛	10.90
Ned. Midd. Bk. 10 85 Fl	75	98⅛	99⅛	+0⅛	+0⅛	10.29
Pierson 10¾ 88 Fl	50	96⅛	96⅞	+0⅛	+0⅛	10.82
Aero Paris 13¾ 87 FFr	150	94⅛	95⅛	−0⅛	+0⅛	14.34
Charb'nages 13⅞ 85 FFr	400	98½	99½	+0⅛	+0⅛	14.13
CECA 14¾ 86 FFr	150	99½	100½	+0⅛	+1	14.24
EIB 14¾ 88 FFr	300	98⅛	99⅛	−0⅛	+0½	14.30
Finland 11 84 FFr	80	91⅞	92½	+0⅛	+0⅛	14.07
Gaz de France 11 84 FFr	150	91⅛	92⅛	+0⅛	+1	13.85
La Redoute 14¾ 85 FFr	125	96	97	+0⅛	+1⅛	15.41
OKB 14 86 FFr	400	98⅛	99⅛	+0⅛	+0⅞	14.20
Utd. Mex. Sts. 14 85 FFr	150	97⅛	98⅛	+0⅛	+0½	14.74
Acona 14 85 £	20	85⅛	86½	0	+0⅞	15.15
Beneficial 14¾ 90 £	20	94	94⅛	0	+0⅛	15.36
BNP 13¾ 91 £	15	96⅛	97⅛	+0⅛	+0⅛	14.11
CECA 13¾ 88 £	20	96⅛	97⅛	0	+0½	14.18
Citicorp O/S 13½ 90 £	50	96⅛	97⅛	0	+1	14.15
Fin. for Ind. 14¾ 88 £	20	99⅞	100⅛	0	+0⅛	14.46
Fin. for Ind. 13⅞ 87 £	20	98	98½	0	+0½	14.12
Gen. Elec. Co. 12½ 89 £	50	94⅞	95⅛	−0⅛	+1	13.51
Peugeot SA 14 90 £	23	94½	96⅛	0	+0⅞	15.01
Rothschild 14¾ 90 £	12	97⅛	98⅛	0	+0⅛	14.56
Royal Trustco 14 86 £	12	99⅛	100⅛	0	+0⅛	14.03
Swed. Ex. Cr. 15¾ 85 £	20	102⅞	103⅛	0	+0⅛	14.12
Banobras 8¾ 90 KD	7	†89½	90	0	0	10.02
CCCE 8¾ 91 KD	10	†82½	83	0	0	11.06
Sonatrach 8¾ 90 KD	12	†92	92½	0	0	9.83
Akzo 9¾ 87 LuxFr	500	87⅛	88⅛	+0⅛	+0½	11.92
Euratom 9¾ 88 LuxFr	500	89⅛	90⅛	+0⅛	+0½	11.93
Eurofima 10½ 87 LuxFr	500	94⅛	95⅛	+0⅛	−0½	11.54
EIB 9¾ 88 LuxFr	600	90⅛	91⅛	+0⅛	+0⅛	11.66
Volvo 9¾ 87 LuxFr	500	88	89	+0⅛	+0⅛	12.35

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish Bank 5¼ 87	0¼	99⅛	100⅛	2/7	16⅛	16.65
Bank of Montreal 5¼ 90	0¼	99⅞	100⅛	18/6	19⅛	19.48
Bank of Tokyo 5¼ 89	‡0⅛	98⅞	99⅛	25/4	19.31	19.48
BBL Int. 5 86	0¼	99½	100	20/5	18½	18.54
Bergen Bk. A/S 6 88	‡0⅛	†98½	99	29/5	17⅛	17.34
BNP 5½ 88	‡0⅛	99½	100	29/4	18.69	18.73
CNT 5¼ 86	§0⅛	99½	100	16/4	13⅛	13.28
Christiania Bk. 5½ 91	‡0⅛	98⅛	98⅞	5/5	17⅞	18.04
Citicorp O/S F. 84	‡0	99⅛	99⅞	31/3	16.81	16.92
C. Itoh 5¼ 87	0¼	99⅞	99⅛	18/3	12⅞	12.92
Co-operative Bk. 6 86	0¼	97⅛	98⅛	15/5	15⅛	15.56
Den Norske Credit 6 90	‡0⅛	98⅛	99	5/5	17⅞	17.95
Genfinance 5¼ 87	0¼	99½	99⅞	30/4	15⅛	16.22
Giro und Bank 5¼ 91	0¼	98⅛	98⅞	23/3	20½	20.81
GZB 5½ 89	‡0⅛	99½	100	1/5	17⅞	17.92
Ind. Bank Japan 5¼ 87	0¼	98⅞	99⅛	15/4	13.31	13.43
Ind. Bank Japan 5¼ 88	0¼	98½	99	9/4	13⅛	13.29
Lloyds Eurofin 8 90 £	0¼	96⅞	97⅛	3/7	14½	14.93
Lloyds Eurofin 5¼ 92	0¼	99	99⅛	4/6	17⅛	17.38
LTCB Japan 5¼ 86	0¼	100½	101	13/6	20.19	20.04
Man. Hanov. O/S 5¼ 94	‡0⅛	98⅞	99⅛	30/5	17	17.19
Midland Intl. Fin. 5¼ 92	0¼	99⅛	99⅞	5/6	17.19	17.30
Nacional Fin. 6¾ 86	0¼	99½	100	25/7	17⅞	17.79
Nacional Fin. 5½ 88	0¼	98⅛	98⅞	25/3	5½	5.58
Nat. West. 5¼ 94	§0⅛	97⅛	98⅛	14/4	13⅛	13.52
Nat. West. 5¼ 92	§0¼	97⅛	98⅛	23/4	13.69	13.97
Nippon Credit 5¼ 87	‡0⅛	99⅛	100⅛	6/5	17.44	17.46
Sparebanken 6 87	0¼	99½	100	19/6	19⅞	19.85
Standard Chart. 5¼ 90	0¼	99⅛	100⅛	3/9	17.06	17.06
Svenska Hndlsbk. 5 87	0¼	99⅞	100⅛	15/7	17.81	17.79
Bq. Ex. d'Alg. 4¾ 89 SF	0¼	†90½	91	18/6	7⅞	8.28

Average price changes... On day 0 on week +0⅛

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Bow Valley Inv. 8 95	4/81	23.12	98⅛	99⅞	0	25.85
Canon 6¾ 95	1/81	829	113⅞	114⅞	+2⅞	8.23
Credit Suisse 4¾ 93	10/79	1278	87	89	+0⅛	−5.81
Digicon Fin. 8½ 95	10/81	29.5	100	101½	+0½	16.55
Hanson O/S Fin. 9½ 95	1/81	1.82	108	109⅛	+1⅛	−3.46
Ina Overseas 8¾ 2000	4/81	42	103⅛	105	+1⅛	4.38
Inchcape Ltd. 8 95	2/81	4.55	93½	95	+0⅛	1.56
Jaccs 7½ 95	11/80	665	130¾	132	+0⅛	1.06
Kotobukiya Co. 7 96	4/81	619	101	102	+0⅛	−6.09
Marion Int. Fi. 9 95	12/80	23.25	88⅛	89½	0	62.07
Matsushita El. 7½ 95	11/80	590	102⅛	103⅞	−0⅛	−0.41
MEPC 8¾ 96	2/81	2.47	95⅛	96⅛	+0½	10.20
Niigata Eng. 7½ 96	1/81	327	99	100	−0⅛	−0.62
Nissho-Iwai Co. 8 96	10/80	398	93⅛	94⅛	+0⅛	−2.85
Ricoh 6¾ 95	8/80	604	115⅛	116⅞	+3	2.38
Sumitomo M. Ind. 7 95	2/81	181	111	112	+0⅛	6.31
Swiss Bk. Cpn. 6½ 90	9/80	200	84	86	−0⅛	13.22
Taylor Woodrow 8¾ 90	1/81	4.94	95⅛	97⅛	+0⅛	2.07
Transco Int. 8¾ 95	2/81	88	86⅛	87⅛	+0⅛	28.28
Tricorp 8½ 95	12/80	31.25	90	91½	0	11.21
Union Bk. Switz. 5 89	2/80	121.4	82½	84½	0	−14.41
Fujitsu 5 84 DM	7/79	431.5	123⅛	124⅛	+0½	−1.32
Sharp Cpn. 6½ 88 DM	9/80	595	141⅛	142⅛	+1⅞	−0.15
Uny Co. 6½ 85 DM	11/79	967.3	104⅛	105⅛	+0⅛	14.68

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

SCHLUMBERGER LIMITED

The following is the Statement of the Chairman and President, MR. J. RIBOUD, which has been circulated to Shareholders with the Annual Report for 1980.

The first year of the eighties has been a good year, for the Company as a whole and for each of its units.

Net income for the year was $994 million and $320 million for the fourth quarter. For the purposes of comparison, these figures are distorted by two items unrelated to the operations: the profit on the sale of Rowan shares and the loss on foreign exchange.

Approximately 5 million shares of the Rowan Company were sold in November 1980, with an after-tax profit of almost $70 million (36 cents per share). Excluding this nonrecurring gain, net income for the year was $925 million, up 40% from the previous year; net income for the fourth quarter was $250 million, up 28% from the fourth quarter last year.

The loss on foreign exchange was $19 million for the full year, and $10 million for the fourth quarter, mainly due to the appreciation of the dollar vis-a-vis most European currencies. In 1979, exchange losses were, respectively, $5 and $4 million for the full year and the last quarter. Unlike the gain on Rowan shares, foreign exchange losses or gains are recurrent. The world does not seem to be heading towards a period of currency stabilisation. Currency fluctuations are becoming more extreme and more brutal.

Revenue for the year was $5.14 billion, up 41% from the previous year. The increase is somewhat misleading, as in 1979 Fairchild revenue was consolidated only as of July 1, the date of acquisition. Excluding Fairchild in both years, revenue increased 33% in 1980. Revenue for the last quarter of 1980 was $1.46 billion, an increase of 33% over the same quarter of the previous year. Excluding revenue from the sale of Rowan shares, revenue for the quarter increased 24%.

In response to the continued demand for our services and products, and to prepare our future, we added more to our resources in 1980 than in any previous year.

★ FIXED ASSETS. Additions to fixed assets were $748 million in 1980, an increase of 49%. They are budgeted to reach $1.1 billion in 1981.

★ RESEARCH & ENGINEERING. R & E expenses increased 43% to $188 million.

★ MANPOWER. Almost 2,000 graduate engineers from 70 countries joined Schlumberger in the oilfields, the laboratories and the manufacturing plants. The increasing size and complexity of our Company has caused us to redouble our efforts to improve internal communications and our understanding of the needs and aspirations of our personnel. From January 1, 1980 to March 1, 1981, options to purchase over one million Schlumberger shares were granted to over 900 key people.

All major units of Schlumberger had a good year. Yet, the oilfield services companies had the most spectacular growth as the worldwide surge for more exploration and production of hydrocarbons went unabated.

WIRELINE SERVICES

Wireline services revenue, our traditional logging business, increased 41% worldwide.

In North America, higher crude oil and natural gas prices, hopes that oil prices *and even gas prices would be fully* decontrolled with the new Administration, have pushed forward drilling activity. By the end of the year, rig count in the U.S. was 3,300, 31% higher than a year before. In Canada, the rate of increase in our activity slowed somewhat in the fourth quarter due to unfavourable federal legislation before parliament.

Growth of wireline services in the Eastern Hemisphere and South America was slightly higher than in North America. Increased activity was everywhere, offshore and on land. It was particularly noticeable offshore Mexico; in the Middle East, where operations in Saudi Arabia and the Gulf States more than offset the reduced activity in Iraq due to the war with Iran; in the Far East where widespread exploration offshore resumed. Wireline operations started on land in the People's Republic of China at mid-year. They have grown steadily and are now being extended to offshore.

Customers continue to demand the logging services performed by the CSUs, the newest computerised logging unit. During the year, 260 new CSU units were put in service in the field.

DRILLING & PRODUCTION SERVICES

Combined revenue of these units grew 33% in 1980. Forex Neptune, Flopetrol and Dowell Schlumberger (50% owned) had a strong performance.

All offshore drilling rigs of Forex Neptune were active throughout the year. On land, six heavy rigs drilling in Iraq ceased operations temporarily last September. Two jack-up offshore rigs and one self-erecting workover tender were commissioned during the year. Five jack-ups are under construction. They are contracted for by customers for periods of two to four years. We sold the bulk of our equity in the Rowan drilling company because we did not think that it was either possible or desirable to acquire control of the company.

The Measurement While Drilling (MWD) operations run by The Analysts have been introduced commercially in the Gulf of Mexico and in the North Sea. It is a slow and prudent start.

MEASUREMENT & CONTROL

In Europe, revenue of these units increased 19%. After-tax profits were above 6% of sales, and return on investment was better than 18%. These are the best results recorded in the last ten years; a creditable achievement at a time when the U.K. is facing a severe depression and the European economies are sluggish with capital investments and housing starts at low levels. The best performance was in the product lines related to nuclear energy, electricity management, automatic test equipment, data acquisition and recording. A major effort is underway to introduce solid-state and digital technologies into the mature products of electricity management. The first prototypes of a solid-state residential watthour meter are being tested. Three new plants are in the process of being built and will be completed in 1981: one in Lyon, France, for nuclear valves, another in Campinas, Brazil for electricity management, and the last one Dordrecht, Netherlands, for gas and water meters.

In North America, Sangamo Weston revenue increased only 9%. The decline of housing starts hurt the sale of residential *electricity meters* while stiff competition lowered their price. Public utilities have been hesitant to adopt load-management techniques as the growth of demand for electricity is slowing down. Some speciality products, such as modems sold by Rixon, imaging and communications systems sold by Fairchild-Weston Systems to the military, have met with great success.

FAIRCHILD

As was expected, Fairchild took a somewhat bumpy course during the year.

The Test Systems division lost some of its key people late in 1979. Management of this division was reorganised. Orders for the large test systems were slow for the first half of the year but improved during the second half; orders for the less expensive subassembly and component testers were strong throughout the year.

Semiconductor sales were very strong until the fourth quarter. The order rate started to slow down in the summer. During the last quarter, the typical downturn of this cyclical industry moved in. Cancellation of orders was accompanied for a number of products by sharp price cuts, particularly in the MOS product line. Fourth quarter profits were lower. Although the year recorded strong gains in sales and profits, at year's end the backlog is lower and the outlook for the immediate future is uncertain.

Ups and downs, shortages followed by overcapacity, price cuts and stiff competition is nothing new in this industry. It is built in. Boom periods often tend to hide many shortcomings, to cover many short cuts. Periods of recession can bring long term benefits; the only question is what one does with it.

MDSI

In January 1981, the last step leading to the acquisition by Schlumberger of Manufacturing Data Systems Inc. (MDSI) was completed. This is the entry into the fast growing market of Computer Aided Manufacturing. MDSI has built a very special position, both marketwise and in software capability with the large number of numerically controlled machine tool users. This is the beginning of a fascinating new adventure.

These are the basic facts and figures of 1980. The first indications of 1981 confirm the trends of last year.

★ Oilfield Services continue strong.

★ Order situation at Measurement & Control-Europe is surprisingly good. However, the impact of the hectic currency fluctuations is unpredictable.

★ Outlook at Measurement & Control-North America (Sangamo Weston) is still weak, but not getting any worse.

★ At Fairchild, the order position is deteriorating. This is the time to stick to our guns, to maintain the Research & Engineering programmes, to improve the manufacturing productivity.

Schlumberger is getting bigger and has plenty of opportunities to grow further. The management has to be strengthened. On February 19, 1981, the Board of Directors elected Michel Vaillaud Executive Vice-President—Operations, in charge of Oilfield Services and confirmed Roland Génin as Executive Vice-President—Operations, in charge of Measurement, Control & Components. Bernard Alpaerts was appointed as Head of Measurement & Control—Europe, replacing Michel Vaillaud.

FIVE YEAR SUMMARY

	1980*	1979**	1978	1977	1976
	YEAR ENDED DECEMBER 31, (Amounts in millions except per share amounts)				
SUMMARY OF OPERATIONS					
Revenue:					
Oilfield Services	$2,814	$2,037	$1,636	$1,310	$1,005
Measurement, Control & Components	*2,070*	*1,513*	*983*	*850*	*805*
Interest and other income	153	91	65	46	30
Gain on sale of Rowan shares	100	—	—	—	—
	$5,137	$3,641	$2,684	$2,206	$1,840
% Increase over prior year	41%	36%	22%	20%	16%
Cost of goods sold and services	$2,813	$2,061	$1,499	$1,231	$1,071
Operating income:					
Oilfield Services	$1,184	$809	$648	$540	$383
Measurement, Control & Components	230	189	122	93	77
Eliminations	(14)	(14)	(6)	(1)	—
	$1,400	$984	$764	$632	$460
% Increase over prior year	42%	29%	21%	37%	27%
Interest expense	$102	$52	$18	$16	$15
Taxes on income	$522	$355	$295	$248	$168
Net income	$994	$658	$502	$401	$293
% Increase over prior year	51%	31%	25%	37%	34%
Per common share:					
Net income	$5.21	$3.45	$2.63	$2.08	$1.52
Cash dividends declared	$0.94	$0.73	$0.56	$0.42	$0.27
SUMMARY OF FINANCIAL DATA					
Net income as % of revenue	19%	18%	19%	18%	16%
Return on average stockholders' equity	36%	31%	29%	28%	25%
Fixed asset additions	$748	$503	$393	$212	$187
Depreciation expense	$323	$242	$184	$159	$130
Average number of shares outstanding	191	191	191	194	194
AT DECEMBER 31—					
Working capital	$1,249	$1,066	$910	$811	$650
Total assets	$5,242	$4,350	$2,930	$2,360	$1,970
Long-term debt	$238	$490	$85	$56	$72
Stockholders' equity	$3,218	$2,400	$1,900	$1,550	$1,280

* Net income includes $70 million after-tax gain ($0.36 per share) on sale of Rowan shares
** Results of Fairchild Camera and Instrument Corp. have been consolidated with Schlumberger beginning July 1, 1979

Certain information relating to directors' share dealings and group companies, required by The Stock Exchange in London to be made available, may be inspected during the next three weeks during normal business hours at Kleinwort, Benson Limited, 20 Fenchurch Street, London EC3P 3DB, from whom copies of the full Annual Report may be obtained.

German bank to raise DM 190m

By Stewart Fleming in Frankfurt

BAYERISCHE Vereinsbank, the fifth largest West German commercial bank with assets of DM 91.6bn, plans to increase its capital by DM 190m through a one-for-eight rights issue.

The bank is following a trend set by several other West German commercial banks, including the second largest, Dresdner Bank, which have announced moves to shore up their equity base after two years during which profits in German banking have been under pressure.

Bayerische Vereinsbank is to issue the DM 50 nominal shares at DM 190 each, which compares with a recent market price of around DM 284 per share. It said the increase in capital was needed because of the increase in its business volume.

Last year group assets increased by 10.4 per cent to DM 91.6bn, while the parent bank in Germany increased its assets by 9.2 per cent to DM 52.4bn.

The bank is maintaining an unchanged dividend payment of DM 9 per share on its voting capital.

The proceeds of the share issue will raise the bank's equity capital to DM 1.74bn from DM 1.55bn. The last rights issue by the bank was in 1979. The bank is expected to announce its earnings for 1980 this week.

German banks are facing pressures to increase their capital bases to keep abreast of expanding business volume from the prospect of new legislation which will require the consolidation of overseas subsidiaries' assets and the application of strict German capital ratios laws to the consolidated balance sheets.

Worldwide sales up 8% at Linde

By Kevin Done in Frankfurt

LINDE, the West German mechanical engineering and process plant group, increased its sales worldwide by 8 per cent last year to DM 2.2bn ($1.05bn).

It is holding its dividend payment for 1980 at the previous year's level of DM 9 a share, although this will involve a larger distribution of profits than in 1979 following last year's rights issue which raised DM 136m from shareholders.

Linde has grown fast over the last ten years and has built up leading market positions in the areas of plant construction, material handling equipment, especially fork-lift trucks, and industrial gases.

Detailed profit figures have not yet been released, but the company said that it was satisfied with the progress made in 1980. Group pre-tax profits exceeded the previous year's performance of DM 116m ($55.5m).

New orders taken by the Linde group last year totalled DM 2.5bn, an increase of 9.2 per cent over 1979.

LOWER CHARGES BOOST RESULTS

Swedish Match lifts dividend

BY WILLIAM DULLFORCE, NORDIC EDITOR,

SWEDISH MATCH yesterday reported an 11.5 per cent lift in pre-tax earnings to SKr 232m ($50.4m) for 1980 with group sales rising by 9.8 per cent to SKr 6.49bn ($1.4bn). The board proposes to pay a dividend of SKr 7 a share, giving shareholders a SKr 1 increase for the second year running.

The improvement in the operating profit, up 7 per cent to SKr 317m, was not as great as forecast. But net financial charges dropped from SKr 88m to SKr 85m instead of worsening, while currency exchange rates yielded higher gains, offsetting the higher interest rates prevailing in several countries and a negative cash flow, caused partly by the acquisitions made during the year.

The market in Western Europe declined for several products in the latter part of the year and a sharp reduction in demand was noted in Sweden after the strike and lockout in May. This dispute is estimated to have taken some SKr 25m from earnings.

This year Swedish Match hopes to release more capital tied up in operations to which it is not giving priority. Some SKr 800m can be disinvested in this way, it estimates. But management hesitates to forecast 1981 earnings because of uncertainty over the speed at which these plans can be realised and new acquisitions made.

There are doubts also about the general economic trend in Western Europe. Nevertheless, further improvement is expected in operating profit while net financial items are likely to be less favourable than in 1980.

The match operation continued to be the group's cash generator, contributing SKr 120m to the operating result, or SKr 22m more than in 1979, on sales of SKr 1.37bn.

Aakerlund and Rausing, the packaging company, and Tarkett, the flooring and wall covering company, turned in better operating results but the Katrinefors companies, which accounted for SKr 2.4bn of group sales, saw operating profit drop after a decline in earnings by the doors division. The cardboard companies, which the management wants to sell, broke even.

During the year the parent company repaid earlier than stipulated the DM 60m bond loan and a SKr 60m multicurrency loan. The group also allowed its liquid assets to decline, from SKr 474m to SKr 392m, to finance loan payments, but this could be done without "any risks to liquid readiness," the management states.

Offer for Tor Line confirmed

BY WESTERLY CHRISTNER IN STOCKHOLM

DFDS, the Danish short sea operator, has made a takeover bid for Tor Line, the Swedish ferry company involved in North Sea traffic. The bid was confirmed yesterday to exceed SKr 300m ($65.4m), covering sale of two Tor Line vessels, the Tor Brittania, delivered in 1975, and the Tor Scandinavia, delivered the following year.

Each vessel has a passenger carrying capacity of 1,500 and 420 cars and has a book value of about SKr 120m each. Market value is expected to exceed that figure somewhat, despite the current slack demand.

If the deal goes through, DFDS would take over Tor's North Sea passenger/car traffic and its 65 per cent interest in Tor Lloyd, involved in North Sea and Baltic cargo traffic and in which Broström of Gothenburg has the remaining share. In addition, the Danish company would absorb Tor's agency network spanning Copenhagen, Gothenburg and Rotterdam. Tor Line is owned one-third by Saléninvest, Salénia and Transatlantic.

According to the terms being discussed, DFDS would own and operate the Tor Scandinavia in North Sea traffic and would put the Britannia into the cruise business. However, DFDS would not buy Tor's 20 per cent interest in Manaure's Ro-Ro traffic, operating between Miami and Venezuela or the FOSS pool.

If the deal goes through, pending union negotiations, the takeover would be completed by the autumn. Last year, Tor Line had a deficit of about SKr 40m, due largely to losses in its German traffic. In conjunction with the Tor bid, DFDS is also understood to be buying Swedish Lion Ferry's interest in Prince Line, operating in the German traffic. The Tor Line board is scheduled to meet on Friday at its corporate headquarters in Gothenburg.

Alitalia plans major traffic expansion

By Rupert Cornwell in Saint Vincent, Val D'Aosta

ALITALIA, Italy's state airline, is planning a 15 per cent increase in overall seat/kilometre capacity this year on its national and international networks in a bid to boost its share of the market.

Last year Alitalia and its domestic subsidiary, ATI, achieved an 11 per cent increase in the total number of passengers carried to 9.5m. Available capacity also rose by 11 per cent in 1980.

The growth scheduled for 1981, against the background of a world air travel market expected to be static, reflects the virtual completion this year of Alitalia's fleet modernisation. From next month Alitalia is phasing into service seven A-300/B4 Airbuses and four Boeing 747 jumbos, representing a total investment of around L500bn (490m).

The main innovations will be a direct thrice-weekly link between Rome and Chicago (after an absence of seven years from the U.S. city) and new routes linking the Italian capital with Kano in Nigeria and Santiago in Chile. On the European and Middle East networks, capacity will go up by 10 per cent with the introduction of the Airbuses on several major routes.

The underlying aim, Alitalia officials stressed here yesterday when presenting the summer 1981 schedules, is for the state airline to lift its share of traffic to and from Italy to 50 per cent, from 42.5 per cent in 1980 and 34 per cent in 1979.

This goal obviously depends on improving reliability. But Alitalia said yesterday that overall punctuality reached 70 per cent in 1980.

Alitalia claimed that its performance would be better still were it not for some of the "crazier" problems it faced. For example 65 flights at night to Palermo in Sicily were cancelled as a result of a 20-day delay in repairing a beacon lamp.

Meanwhile, no decision is expected until next year at the earliest on the next key decision the airline must take: the choice of a replacement for its ageing fleet of 48 DC-9s. The airline is evaluating the various options on offer, including the Boeing 757.

Strong advance by Alfa-Laval

BY OUR STOCKHOLM STAFF

ALFA-LAVAL, the Swedish agricultural, food processing and industrial equipment manufacturer, increased pre-tax earnings by more than 21 per cent in 1980 to a total of SKr 476.6m

The final result exceeded the preliminary profit calculation, released last month, by SKr 1.6m. Group sales rose by 18 per cent, to SKr 6.5bn ($1.42bn), unchanged from last month's preliminary figure.

Consolidated order bookings during 1980 reached SKr 6.4bn, 11 per cent higher than in the previous year. No forecast for 1981 was included in the final report.

Estimated earnings per share last year, after a general 50 per cent tax deduction, rose to SKr 22.90 compared with SKr 18.75. Return on average operating capital before taxes increased to 14 from 12.3 per cent. After-tax return on equity rose to 11.4 from 10.3 per cent.

The Board has proposed a SKr 6 dividend per share on the share capital after the bonus issue in 1980, which would consume in total SKr 62.3m from SKr 49.9m. Last year's dividend was SKr 4.80.

Hong Kong moratorium on deposit taking groups

BY KEVIN RAFFERTY IN HONG KONG

THE HONG KONG Government has declared a moratorium on the registration of deposit taking companies (DTCs), which have been a big and controversial growth area in the territory's financial sector.

The moratorium is likely to last at least until the Government has drawn up new legislation to re-define the areas of operation of banks and of DTCs. There is already a moratorium on new bank licences, in force since August 1979.

From 1976, when the deposit taking companies ordinance was passed, there has been a rapid growth in their number. At the end of last year 302 DTCs were registered and by yesterday, according to Mr. Kenneth Kwok, the Assistant Commissioner of Banking, there were 326 on the register with about 20 applications pending.

DTCs include a variety of different concerns, ranging from finance houses acting as merchant banks to hire purchase companies and what are, in effect, little more than pawnbrokers. The existing rules have been attacked because all a DTC requires is an issued capital of HK$5m (US$0.95m) and a paid up capital of HK$2.5m. DTCs are also restricted to taking deposits in amounts of HK$50,000 or more.

Banks in particular—especially local banks with strong deposit bases—have complained bitterly about the activities of DTCs. As they are not parties to interest rate agreements, the DTCs have been able to offer rates several percentage points higher than bank rates.

Luxembourg bank earns and pays more

By Francis Ghilès

TRADE DEVELOPMENT Bank Holding SA, the Luxembourg-based holding company of Trade Development Bank Geneva and Republic National Bank of New York, achieved a 68.5 per cent increase in after-tax earnings to $74.8m last year.

Net earnings per share increased from $2.70 in 1979 to $4.55. The board recommends a 30 per cent increase in dividend per share to $1, together with a special 25th aniversary bonus dividend of 25 cents a share.

As in 1979, the rise in profits resulted from succesful trading in the gold market. During 1980, the group sold half its strategic gold investment at a profit of $11m. In 1979 the bank

JAPANESE FINANCE HOUSE FAILURE

Osaka Shoken losses expose foreign banks

BY RICHARD C. HANSON IN TOKYO

A GROUP of 14 foreign banks has been caught up in the financial troubles of a small Osaka-based securities financing company, which could result in the most extensive losses suffered by foreign banks operating in Japan since World War Two.

According to estimates by the banks, foreigners have lent more than Y20bn (some $100m) to Osaka Shoken Shinyo, a small company specialising in loans to stock market investors.

The company disclosed last weekend that it is unable to meet its loan obligations. Its accumulated debts are estimated by Japanese banks at *Y75.8bn ($360m) at the end of* February. The foreign banks, with Y21.5bn in outstanding loans, are the second largest group of Osaka Shoken creditors. Japanese trust banks are owed Y31.7bn, while the large "city" banks have lent Y8.7bn.

Foreign bankers claim they would not suffer badly even from total failure because of the large amount of collateral they hold. The biggest exposure *among the foreign banks is that* of Seattle-First National Bank, which says it has loans of less than Y5bn outstanding. In the worst case, it estimates it has collateral for more than 80 per cent of its loans, and would cover a large part of any loss through tax writeoffs. The list of foreign banks involved includes big American names like Citibank and Bank of America, and others like Hong Kong and Shanghai Banking Corporation. No British bank is involved.

Because their total exposure is heavy, the foreign banks' co-operation will be essential to any effort to keep Osaka Shoken in business. According to Japanese law, Osaka Shoken must reach agreement with a minimum of 75 per cent of its creditors for "composition" (known in Japan as *Agi*). Under this procedure, the creditors would agree among themselves on the disposition of the company's debts, with the results presented to the Osaka District Court. If composition could not be achieved, the company would face no alternative but to seek a declaration of insolvency from the court.

Co-operation essential

At a press conference on Tuesday, the president of Osaka Shoken said he was still seeking composition. But he added that the co-operation of the foreign banks would be needed for its success. Some foreign banks may be thinking of selling off the equities they hold as "security" against their loans to Osaka Shoken. This would make it difficult to reach an overall agreement with the 49 banks and other financial institutions involved, he said.

Two broader issues have arisen from the Osaka Shoken case. For one, this would be the first time that foreign banks on a large scale have publicly "taken it on the chin" (as one foreign banker commented) on loans to a Japanese company in difficulties. In most previous instances of corporate failure, the foreign banks involved have been insulated from losses by the responsible Japanese banks (partly at the insistence of the Japanese authorities).

As far as can be determined, the authorities are not intervening, and no Japanese bank has stepped forward are a main bank to organise a proper rescue operation.

The second point is that Osaka Shoken's troubles stem *from its lending to members of* a private investment group based in Tokyo, known as the Seibi group, Osaka Shoken has admitted making loans totalling Y48bn to individual members of this group. The security on these loans (in the form of the shares being bought by the Seibi group) began to depreciate sharply last month as prices of certain equity stock collapsed on the Tokyo stock market.

These shares had in turn been used by Osaka Shoken to secure loans from banks. The company could not then meet the banks' demands for additional collateral on the loans.

The Seibi group has refused to comment on its organisation or its stock market activities. It is believed, however, to have specialised in buying large amounts of certain shares, using funds borrowed by its members mostly from Osaka Shoken. The effect was to boost the price of these shares.

The affair might well not have come to wider notice, had not the Tokyo Metropolitan Police announced on February 16 that an independent stock commission salesman, Mr. Akira Kato, was helping them with inquiries into a client's tax evasion case, under investigation by the Tokyo District Prosecutor's office. Mr. Kato is widely believed to have been a leading investment "adviser" to the Seibi group. News of his involvement was widely reported in the Japanese press, a fact which some securities analysts say contributed to sharp price declines in a number of so-called "speculative" shares held by Osaka Shoken as security.

The prosecutors are believed still to be questioning Mr. Kato. They would not comment on the case. Mr. Kato could not be reached to tell his side of the story.

Foreign bankers willing to discuss their loans to Osaka Shoken say they had no prior reason to suspect the company was a bad risk. Its major shareholders (75 per cent) are two associations of Osaka Stock *Exchange members. Among the* original promoters and present stockholders is Nomura Securities, the biggest securities company in Japan. The company is also supported by leading Osaka-based banks.

Its troubles may be related in part to the fact that it has no single main bank to help it. Other bankers rank stock lending companies like Osaka Shoken Shinyo alongside "consumer" finance companies, which have grown rapidly in Japan, as comparatively risky customers. Many foreign banks have, in the meantime, become conspicuous lenders to consumer finance companies.

Part of the reason why foreign banks have become involved in this kind of business lies in the general slackness of loan demand in Japan in recent years, as well as in the historic limitations placed on the foreign banks' range of activities.

MONETARY AUTHORITY OF SINGAPORE

Top officials resign as Dr. Goh cuts powers

BY KATHRYN DAVIES IN SINGAPORE

VIOLENT UPHEAVALS within Singapore's financial institutions are sending shock waves through the banking community. In the space of a few weeks the Republic's Monetary Authority (MAS), which effectively acts as the central bank, has lost virtually all its top officials.

These include the managing director, Michael Wong Pakshong and the head of the international department, Mrs. Elizabeth Sam.

MAS investment policies have been publicly criticised by the senior Deputy Prime Minister, Dr. Goh Keng Swee (MAS chairman since last August), and its role as an investor of Government funds has been undermined.

Morale at the MAS has plummeted as a team of Ministry of Finance systems analysts has apparently concluded that the authority is overstaffed. Many employees have decided it would be prudent to leave of their own accord.

Instead of being transformed into a fully-fledged central bank, amalgamating with the Board of Currency Control (BCC)—an objective sought by Mr. Wong Pakshong which had seemed likely to be fulfilled — the authority's status has been pared back by Dr. Goh.

A new, Government-owned investment corporation, chaired by the Prime Minister, Lee Kuan Yew, and with other Cabinet members on the board, is to take over responsibility for the investment of Government funds, variously estimated to amount at market value to between S$20bn (US$10bn) and S$40bn (US$20bn).

More limited role

Rothschild, the London merchant bank, has, in addition, been brought in to act as a consultant, both to the MAS and the new corporation. Rothschild seems likely to play a major role in deciding Singapore's new investment strategy, as well as in restructuring the MAS international department.

The international department of the MAS, which once had wide powers over investment policies, will in future have a more limited role. It seems the department will maintain responsibility for managing short-term portfolio investment of the float left behind after a large proportion of the Government funds have been transferred into the Investment Corporation. This float may amount to S$10bn.

These developments are all the more remarkable because the reason for them is unclear. Since its formation by Dr. Goh just over ten years ago, the MAS has guided Singapore's growth as an international financial centre. A Singapore-based economist noted recently: "The governors of other central banks in this region all look to Singapore (and the MAS) as a kind of flagship. What Singapore does today they will do tomorrow."

Michael Wong Pakshong is given much personal credit for having fostered the growth of the Asian dollar market, to its current level approaching S$60bn (U.S.$30bn).

Financial consistency

Reassured by the Republic's *political stability* and *financial* consistency, more and more foreign banks have been centring their South-East Asian operations in Singapore and more still are coming in. They have considered their close rapport with senior authority officials of great importance — particularly with Wong Pakshong and with Elizabeth Sam. The sudden and inadequately explained resignations of these respected figures have caused concern.

With local banking expertise in the Republic very thinly spread, foreign bankers counted themselves fortunate to have such people to whom they could turn for an interpretation of Singapore's banking rules.

However, in a somewhat bleak statement the MAS chairman, Dr. Goh, recently said that the root of the problem was that the MAS and the Board of Commissioners of Currency (Singapore's issuer of currency) followed policies more appropriate to economies in chronic deficit than those needed for Singapore, with its large regular surpluses. "The MAS and BCC . . . came to hold a large portfolio of investment diversified in terms of type and maturity of assets and currencies in which they are held. Insufficient weight was given to the management of assets held as long term investments," Dr. Goh said.

There is is no evidence that the MAS deviated from the guidelines laid down for it by the Ministry of Finance, although it has been suggested here that the MAS suffered losses on yen bonds as the result of fluctuating interest rates in 1979 and 1980.

A theory is that while Dr. Goh and Michael Wong Pakshong may have had a difference of view over MAS policy substantial enough to require Mr. Wong Pakshong's resignation, the wholesale resignations of other MAS personnel came as an unpleasant surprise. This might explain why the Government took some time to commandeer replacements for key appointees, finding it difficult to recruit suitable candidates.

Bankers are also concerned that most of the new senior appointments announced so far are for a relatively brief period: The new managing director of the investment corporation, 54-year-old Mr. Yong Pung How, is being seconded from the Oversea-Chinese Banking Corporation, of which he is vice-chairman, for one year.

The new head of the MAS international department, Mr. Lim Ho Kee, until recently vice-president of Morgan Guaranty Pacific, is to be seconded from the overseas union bank (OUB) for between 18 months and two years.

The man thought likely to succeed Mr. Lim Kim San (whose appointment as managing director of MAS is only part time), Dr. Chua Wee Meng, is on a two year secondment from the International Finance Corporation in Washington as Dr. Goh's assistant. Only one appointment—that of head of the MAS economics department—is on a permanent basis.

Against this background of confusion and uncertainty, the arrival of Rothschild's assistant director, Miss Kate Mortimer, at the beginning of next month, is awaited with much interest. Miss Mortimer will be involved in the implementation of a wide-ranging brief from Dr. Goh—"to assist in re-organising the international department of MAS, to review the portfolio of the MAS and the Board of Commissioners of Currency, to advise on the organisational structure of the investment corporation and to provide general investment consultancy services."

Future diversification

Suggestions for the future diversification of Singapore's surpluses include investment in overseas corporations, property, oil and gas resources (even the outright purchase of an oil company), minerals, and the kind of high-technology companies which Singapore wants

Such ambitions clearly call for a high level of expertise and Dr. Goh sets off for Europe and the U.S. this week to recruit more consultants and perhaps individuals for the new corporation. Other bankers will probably be seconded locally, in what is becoming known as a form of "financial national service."

Foreign bankers continue to ponder the implications of the changes and wonder who they will talk to now at the Monetary Authority. Banks seeking to upgrade their status have resigned themselves to a long wait.

Dr. Goh Keng Swee

The course of events

- **January 1971:** Monetary Authority of Singapore (MAS) "in nearly all respects the Central Bank of Singapore" commences operations. Managing director, Michael Wong Pakshong. Acts as bankers and financial agent to the Government and banker to banks.
- **May 1980:** First ominous development is appointment of senior civil servant Herman Hochstadt as deputy managing director, said to be working out new salary structure. However Mr. Hochstadt believed to have concluded MAS overstaffed.
- **August 1980:** Dr. Goh Keng Swee, First Deputy Prime Minister, appointed chairman of MAS, succeeding Finance Minister, Hon Sui Sen. Brief includes testing MAS performance against original aspirations. Team of analysts from Finance Ministry sent in to examine structure and functions of MAS.
- **January 1981:** Michael Wong Pakshong resigns. Reasons not made public, but Mr. Wong says time ripe to start new career. Dr. Goh pays tribute to Wong's "total dedication and complete integrity."
- **February 1981:** Other MAS resignations made public include chief manager, international department, Mrs. Elizabeth Sam, and managers of banking, economics and banking supervision department. In all 40 staff resign. New part-time managing director to be retired Cabinet Minister, Lim Kim San. New investment corporation, chaired by Prime Minister, to assume investment role from MAS.
- **March 1981:** Appointment of Rothschild as consultant to MAS and new investment corporation announced, giving the London merchant bank important role in Singapore's investment strategy. Leading local bankers given key positions on temporary basis; including Mr. Yong Pung How as managing director of investment corporation, and Mr. Lim Ho Kee as Elizabeth Sam's successor. MAS to be computerised and special emphasis to be placed on staff training.

NEW YORK

Stock	Mar. 16	Mar. 13
[illegible]		
City Investg	25⅜	25
Clark Equipment	36⅞	36¾
Cleve Cliffs Iron	38½	38
Clorox	13⅛	12⅝
Cluett Peaby	11½	11¼
Coca Cola	37	37⅝
Coca Btl.N Y	9½	9⅛
Colgate Palm	16½	16⅛
Collins Aikman	9¼	9½
Colt Inds	53¼	52½
Gerber Prod	27¾	27½
Getty Oil	74½	73¼
Giddings Lewis	36⅛	36⅝
Gillette	30¾	29⅝
Global Marine	55¼	55½
Goodrich (BF)	27⅞	27
Goodyear Tire	18¾	18⅝
Gould	27⅝	25⅝
Grace	51¼	51¼
Grainger (WW)	35¼	35½
Mead	29⅛	29¼
Media Genl	34½	34¾
Medtronic	34⅝	34⅝
Mellon Natl	31¾	31¾
Melville	42¾	42⅛
Memorex	11⅜	11¼
Mercantile Sts	39½	38⅜
Merck	85	85¾
Meredith	52⅛	51⅜
Merrill Lynch	35¾	34¼
Safeco	36¾	37
Safeway Stores	36⅞	37¼
St. Joe Minerals	45⅜	47½
St. Paul Cos	43	42¼
St. Regis Paper	40⅜	40⅜
Sante Fe Inds	93¼	91
Sante Fenti	46¾	46½
Scai Invest	9¾	9½
Sxuon Inds	6⅝	6⅜
Shaering Plough	36	35¾
Winn-Dixie Str	28⅜	28¾
Winnebago	3½	3½
Wisc Elec Power	22⅛	21⅞
Woolworth	25¾	24½
Wrigley	36¼	35¾
Wyly	12¼	11⅞
Xerox	58¾	56⅝
Yellow Frt Sys	18¾	18⅛
Zapata	31⅛	30¾
Zenith Rad	16¾	16¾

Wall St. higher at mid-session

FOLLOWING Monday's late afternoon surge which lifted the Dow Jones Industrial Average above the 1,000 mark, Wall Street tended to move higher yesterday morning in heavy dealings punctuated by profit-taking.

More major banks cut their Prime Rate to 17½ per cent and a few cut their Broker Loan Rate 16 per cent early yesterday. However, analysts said hopes for further declines in the Prime Rate were being offset somewhat by profit-taking as the Dow *Industrial Average struggled to* hold above 1,000.

The Average, up 17 points the previous day, slipped back 2.79 to exactly the 1,000 level at 10.30 am, but subsequently improved to 1,004.14 at 1 pm for a fresh net gain of 1.35. The NYSE All Common Index added 33 cents at $77.52, while rises outpaced declines at mid-session by a nine-to-five margin. *Trading* volume was up sharply to 47.59m shares from Monday's 1 pm figure of 30.28m.

Among the actives, General Motors put on ⅜ to $52½, Ford Motor picked up ⅛ to $23⅜, Chrysler ⅛ to $6⅛ and American Motors ⅛ to $4⅛. Analysts said possible easing of Federal auto safety and pollution standards would reduce motor manufacturers' cash needs over the next few years.

Volume leader K Mart, which on Monday reported lower fourth-quarter profits, was unchanged at $18⅞, Sony, in second place, lost ⅜ to $17⅞. Its first quarter net earnings were only slightly higher.

Citicorp gained ⅛ to $23⅞ on raising its quarterly dividend.

U.S. Steel shed ⅛ to $32⅛ despite a forecast of higher first-quarter and year profits. Earlier it said it had dropped plans to sell some coal properties to Standard Oil (Ohio).

THE AMERICAN SE Market Value Index was 0.56 firmer at 348.02 at 1 pm after volume of 4.46m shares (3.35m).

Canada

Most sectors gained further ground in active early dealings, with the Toronto Composite index rising 12.6 more to 2,271.6 at noon. Metals and Minerals advanced 28.4 to 2,421.9 but *Golds* receded 30.9 to 4,105.6. In Montreal, Banks firmed 1.05 to 397.67, Papers 6.16 to 272.89 and Utilities 1.67 to 260.98.

Tokyo

After the recent sharp rally, the market showed fresh early firmness in response to the overnight Wall Street upsurge, but subsequent profit-taking left share prices mixed on balance.

The Bank of Japan announced a 1 percentage point cut in the Official Discount Rate towards the end of the session, but there had already been widespread speculation about the reduction, prompting investors to hunt especially Steels, Shipbuildings and Heavy Electricals that are *carrying* heavy interest burdens and are likely to benefit most from lower interest rates. Also boosting the general market over the past two days were easier margin trading restrictions and expectations of a Government package to stimulate the economy.

The Nikkei-Dow Jones Average, having advanced about 168 points *in the past two business sessions,* ended 3.94 easier at 7,120.39. The Tokyo SE index, however, added 0.97 at 511.96 for a three-day rise of 9.16. Gains at the close retained a small lead over declines by 356 to 319 following a fairly active trade of 350m shares (250m).

Among the interest-rate sensitive large-capital issues, Hitachi and Toshiba gained Y8 apiece to Y347 and Y243 respectively, while Mitsui Shipbuilding put on Y5 to Y186, Kawasaki Steel Y2 to Y158, Sumitomo Metal Y2 to Y183 and Kawasaki Heavy Y5 to Y182.

A few Blue Chips scored good rises on the day, although the highly popular Light Electricals ended on a mixed note.

Canon added Y39 to Y879, Takeda Pharmaceutical Y38 at Y880, Honda Motor Y8 at Y549 and TDK Electronic Y40 at Y4,030, but Sony receded Y100 to Y3,680 and Pioneer Electronic Y30 to Y3,100.

Oils, Constructions and Cements finished on an easier note. Arabian Oil shed Y100 to Y3,100.

Germany

The overnight Wall Street advance and a strong rise on the Domestic Bond market boosted most West German share prices, with increased foreign and institutional buying noted. Some late profit-taking cut into the gains, although prices generally finished above Monday's closing levels. The Commerzbank index gained 2.5 at 689.5.

Domestic Bond prices rose as much as DM 1.20 and the Bundesbank sold DM 82.4m of paper into the rally, after selling DM 15.2m on Monday. Also firm were Mark Eurobonds and Bond Options.

Hong Kong

The market continued to advance in a moderate business yesterday, with some early afternoon profit-taking well absorbed. Renewed expectation of a cut in Hong Kong interest rates at the end of this week following a further fall in U.S. Prime rates contributed to the rise. The Hang Seng index moved ahead 30.95 to 1,375.32 for a two-day gain of 52.06. Turnover on the four exchanges expanded to HK$344.62m from Monday's light volume of HK$269.01m.

G. I. Cement rose HK$1.50 to HK$60.50, New World 25 cents to HK$5.60 and Swire Properties 30 cents to HK$14.10.

Singapore

Share prices continued to rebound in more active trading yesterday, with the Singapore Straits Times Industrial index rising 13.79 to 796.15.

All sectors firmed. Banks were particularly strong as investors took a second look at their recently released earnings for 1980, now that the share prices of DBS and UOB reflect the cost of rights issues by the two banks. DBS improved 25 cents to S$7.55 and UOB 15 cents to S$5.75.

Singapore Land rose 50 cents to S$9.30. *Rumours of a rights* issue by the property concern had depressed its share price of late, but a broker said reconsideration had left investors convinced a rights issue will not be forthcoming. He noted that to offer a rights issue, a company has to present audited accounts from sometime during the previous six months.

Since the company's fiscal year end is in August, he said a rights issue would be impossible without a costly reaudit.

Australia

After extending the recent good rally, with Gold shares leading the way, markets saw little follow-through support and *slipped back to close on a rather* mixed note. The Australian All Ordinaries index managed to retain a small rise on the day of 1.0 at 684.0.

Market leader BHP, A$14.1[illegible] at the opening, ended a net 1[illegible] cents down at A$13.85, while CSR were 8 cents off at A$6.4[illegible] after A$6.60.

Western Mining lost 24 cents at A$5.12, *after rising 48 cents* on Monday, but Central Norseman Gold held a 10 cents rise at A$7.80.

In the Oil and Gas sector, Santos featured with an advance of A$1.10 at A$18.50. Ampol Exploration put on 10 cents to A$4.05. The Wapet group, in which Ampol has a one-seventh interest, has made a good gas discovery in the Dongara area of Western Australia.

Johannesburg

Gold shares closed mixed in moderate trading after the Bullion price eased a little in Europe.

Closing prices for North America were not available for this edition.

CANADA

Stock	Mar. 16	Mar. 13
Abitibi	31¼	32
Agnico Eagle	13¾	13½
Alcan Alumin	46	44⅝
Algoma Steel	45½	45½
Asbestos	30½	30⅛
Bk Montreal	29¾	29⅞
Bk Nova Scotia	30¼	29½
Basic Resources	10¾	10¾
Bell Canada	18⅞	18¾
Bow Valley	18	18
BP Canada	40½	41¼
Brascan A	33½	33
Brinco	10¾	10⅜
B. C. Forest	17½	17
CadillacFairview	27¼	27½
Camflo Mines	35½	34¾
Can Cement	15⅛	15
Can NW Lands	34⅞	34⅝
Can Packers	33½	33½
Can Perm Mtg	19½	19½
Can Trusco	27¾	28¼
Can Imp Bank	30	30¼
Cdn Inds	33½	33¼
Cdn Pacific	45⅝	45⅝
Can P. Ent	24⅞	24⅜
Cdn Tire	31⅜	31
Cherokee Res	8⅛	8
Chieftain	21¼	21
Cominco	69	68¼
Cons Bathst A	26⅝	25¾
Coseka Res	21¾	21
Costain	10¼	10¼
Daon Devel	10⅞	10⅞
Denison Mines	49½	49¼
Dome Mines	97½	96
Dome Petroleum	80⅝	80½
Dom bridge	23⅝	23¾
Dom Foundries A	43½	44¼
Dom Stores	24	24⅜
Domtar	32⅞	32⅝
Falcon Nickel	105¼	105½
Genstar	39⅞	39¾
Gt.-West Life	250	250
Gulf Canada	24¼	24¼
Gulfstream Res	10⅛	10⅛
Hawk Sid. Can	24	24
Hollinger Argus	48	48
Hudson Bay Mng	34⅜	34¼
Hudson's Bay	24⅞	24¾
do. Oil & Gas	21⅞	21¾
Husky Oil	16⅝	16
IAC	11⅞	12
Imasco	35	34½
Imp Oil A	32⅝	32
Inco	26¼	25⅞
Indal	15	15⅜
Inter. Pipe	14⅞	15
Mac Bloedel	44⅝	43¾
Marks & Spencer	9½	9⅝
Massey Ferg	4.75	4.70
McIntyre Mines	67¾	68
Merland Explor	8¼	8¼
Mital Corp	22¾	22⅝
Moore Corp	41⅜	41¼
Mountain State	12¾	12¾
Nat. Sea Prods A	11½	11⅛
Noranda Mines	30¾	30⅝
Nthn. Telecom	35¼	35
Oakwood Pet	20⅝	21
Pacific Copper	3.55	3.60
Pan can Petrol	86½	87
atino	45	45
Placer Dev	25⅞	24¾
Power Corp	22¼	22
Quebec Strgn	5.12	4.80
Ranger Oil	17⅝	17½
Reed Stenhs A	12½	12½
Rio Algom	34½	34¾
Royal Bank	29¼	29¼
Royal Trustco A	21	21
Sceptre Res	15⅛	15
Seagram	65¼	65¼
Shell Can Oil	25⅜	25⅛
Steel of Can A	37⅛	37
Teck B	19⅝	18⅛
Texaco Canada	23¾	23¾
Thomson News A	21½	21½
Toronto Dom Bk	33⅛	33
Transcan Pipe	26½	26⅝
Trans Mntn Oil A	12	12
Utd Sisco Mines	18½	18¾
Walker(Hrm)C.H.	26½	26⅜
Warrior Res	7.50	7.35
Westcoast Trans	14⅞	15
Weston (Geo)	34½	34

AUSTRIA

Mar. 17	Price %	+ or —
Creditanstalt	336	—
Landerbank	336	—
Perlmooser	249	—
Semperit	103	—
Steyr Daimler	233	+1
VeitscherMag	261	+1

BELGIUM/LUXEMBOURG

Mar. 17	Price Frs.	+ or —
ARBED	1,334	+24
Banq Int A Lux	5,000	—
Bekaert B	1,320	−30
Ciment CBR	904	+2
Cockerill	185	+1
EBES	1,675	−15
Electrobel	3,208	—
Fabrique Nat	1,720	—
G.B. Inno	1,990	+5
GBL (Brux L)	988	+8
Gevaert	1,310	−40
Hoboken	2,355	+35
Intercom	1,318	+12
Kredietbank	4,940	+5
Pan Hldgs	4,960	—

BELGIUM (continued)

Mar. 17	Price Frs.	+ or —
Petrofina	4,775	+55
Royale Belge	4,220	−80
Soc Gen Banq	2,200	+5
Soc Gen Belge	1,284	+26
Sofina	2,775	—
Solvay	2,300	−20
Traction Elect	2,200	—
UCB	1,300	+4
Union Miniere	746	−4
Vieille Mont	1,060	+30

FRANCE

Mar. 17	Price Frs.	+ or —
Emprunt 4½% 1973	2,456	−28
Emprunt 7% 1973	7,735	−62
CNE 3%	3 040	+5
Afrique Occid	535	+8
Air Liquide	501	+6
Aquitaine	1,243	−7
Au Printemps	117	+1
BIC	455	+3
Banq Rothschild	172	—
Bouygues	673xd	+2
BSN Gervais	1,030	−15
Carrefour	1,760	−5
Club Mediter	423.5	+2
CGE	399	+4
CSF (Thomson)	377	−2
Cie Bancaire	350	−1
Cie Gen Eaux	345	—
Cofimeg	139	+0.4
CCF	208.5	−1.5
Creusot Loire	88.5	−1.5
CFP	232	−2
DNEL	33.6	+0.2
Dumez	902	−1
Ferodo	269	−0.5
Gen.-Occidental	395.5	+1.5
Imetal	85.5	+5
Lafarge	290.5	+1.5
L'Oreal	666	+2
Legrand	1,550	−20
Machines Bull	58	—
Matra	2,168	−13
Michelin B	800	+8
Moet-Hennessy	485	+2
Moulinex	82.2	−2.8
Paribas	253.5	+1.5
Pechiney	101.9	+2
Pernod Ricard	304.8	+2.8
Perrier	157.9	+2.9
Peugeot-SA	143.5	+4.7
Poclain	208.5	+3.5
Radiotech	246	−2
Redoute	524	+9
Rhone-Poulenc	91.9	+0.9
Roussel-Uclaf	195.5	+3.5
St. Gobain	140.6	+0.4
Skis Rossignol	525	+5
Suez	361	−11
Telemech Elect	1,202	−8
Thomson Brandt	225	+0.5

ITALY

Mar. 17	Price Lire	+ or —
ANIC	11.25	−0.25
Assicur Gen	43,600	−3,200
Banca Com'le	75,000	+1,000
Bastogi Fin	681	+19
Centrale	48,000	+2,990
Credito Varesino	20,100	—
Fiat	2,299	−46
Finsider	87	+1
Invest	4,560	—
Italcementi	54,500	+1,010
Italsider	300	—
Montedison	234.5	−3.5
Olivetti	4,208	−92
Pirelli Co	5,330	+330
Pirelli Spa	2,100	+103
Snia Viscosa	1,310	—
do. do. Priv.	1,010	—
Toro Assic	45,000	+2,500
do. Pref	40,000	+600

GERMANY

Mar. 17	Price Dm.	+ or —
AEG-Telef	61.5	−0.7
Allianz Vers	458.5	+0.5
BASF	133.5	+1.7
BAYER	116.2	+0.3
Bayer-Hypo	191	+1
Bayer-Verein	283	−1
BHF-Bank	187	+3
BMW	157.5	+0.5
Brown Boveri	245	+3
Commerzbank	133.8	+0.4
Conti Gummi	61.8	−0.4
Daimler Benz	272.5	+1.0
Degussa	235	+1.2
Demag	132.5	+2.5
D'sche Babcock	176	+2
Deutsche Bank	290	−0.5
DU Schult	146.5	+1.5
Dresdner Bank	155.5	+2.2
Dyck Zement	125	+2
GHH	180	+2.8
Hapag Lloyd	63.8	+0.8
Hoechst	118.8	+1.3
Hoesch	27.0	+0.1
Holzmann (P)	387	+1.5
Horten	138.5	+0.5
Kali und Salz	225.2	+0.4
Karstadt	188	—
Kaufhof	162	+1.5
KHD	167.5	+1.5
Kloeckner	52.4	+1.1
Krupp	75.5	+3.5
Linde	300.2	+3.5
Lufthansa	67.5	+2.5
MAN	164.5	+1.0
Mannesmann	128.8	+0.5
Mercedes Hlg	236.5	+2
Metallgesell	322	+3
Muench Ruck	680	−10
Preussag	141.5	+0.1
Rhein West Elect	167.2	−0.3
Rosenthal	292	+1.5
Schering	258	−1.5
Siemen	256.9	+0.7
Thyssen	77	+1.8
Varta	171	+1.5
Veba	124.2	+0.2
Verein-West	283	—
Volkswagen	157.7	+0.7

HOLLAND

Mar. 17	Price Fls.	+ or —
ACF Holding	78.5	+3.5
Ahold	75.6	+0.6
AKZO	20.1	+0.1
ABN	290.5	+2.5
AMEV	92	+0.4
AMRO	55.8	+0.8
Bredero Cert	203.5	+0.3
Bos Kalis	81	—
Buhrmann-Tet	55.5	+0.8
Caland Hldgs	29.2	+0.1
Elsevier	140	+3
Ennia	138.5	—
EuroCom Tst	76.5	+0.5
Gist. Brocades	60.3	+1.3
Heineken	59	+0.6
Hoogovens	18.6	+0.5
Hunter Douglas	11.8	+0.3
Int-Muller	13.1	+0.1
KLM	95	+1.5
Naarden	22	+0.6
Nat Ned Cert	126.8	+0.5
Ned Cred Bank	44.2	+0.1
Ned Mid Bank	187.5	+1
Nedlloyd	117	+1
Oce Grinten	90.3	+1.6
Ommeren (Van)	31.9	+0.3
Pakhoed	37.3	+0.1
Philips	19.1	+0.9
Rijn-Schelde	36.5	+0.4
Robeco	223	+0.8
Rodamco	112.7	+0.1
Rolinco	220	+2.7
Rorento	124.6	+0.1
Royal Dutch	96.8	+0.8
Slavenburg's	139	—
Tokyo Pac Hg	215	+0.5
Unilever	133.6	+1.6
Viking Res	145.5	+1
VMF Stork	28.1	−0.7
VNU	73.5	—
Volker-Stevin	22.5	+0.8
West Utr Bank	156.9	+5.4

DENMARK

Mar. 17	Price %	+ or —
Andelsbanken	129.6	—
Baltica Skand	362	+2
CopHandelsbank	132	—
D. Sukkerfab	362.5	−3.4
Danske Bank	128	+0.4
East Asiatic	124.4	—
Finansbanken	176.4	+0.4
Forenede Brygg	334	+1
Forenede Damp	266	−8.6
GNT Hldg	190	−5
Nord Kabel	152.4	+2.8
Novo Ind	654.4	+5.4
Papirfabrikker	102	−1
Privatbanken	135.6	—
Provinsbanken	134	+0.4
Smidth (Fl)	300	−4
S. Berendsen	624	+1
Superfos	130	+3

NORWAY

Mar. 17	Price Kroner	+ or —
Bergens Bank	111.5	−0.5
Borregaard	92.5	−0.5
Creditbank	116.5	+0.5
Elkem	78.5	—
Kosmos	455	—
Norsk Hydro	460	−5
Storebrand	160	—

SWEDEN

Mar. 17	Price Kroner	+ or —
AGA	212	−4
Alfa-Laval	160	+1
ASEA	103	—
Atlas Copco	100	−3
Bofors	240	−1
Cellulosa	160	−1
Electrolux B	101	−1
Ericsson	135	−3
Esselte	143	—
Fagersta	117	+5
Mo och Dom	141	−2
Saab-Skania	121	−2
Sandvik	221	+1
Skandia	346	−3
Skan Enskilda	170	−2
SKF	121	+1
St. Kopparberg	245	−9
Sven Handelsbn	72.5	−0.5
Swedish Match	110	−1
Uddeholm	57.5	−0.5
Volvo	110	−2

SWITZERLAND

Mar. 17	Price Frs.	+ or —
Alusuisse	1,090	+10
Brown Boveri	1,390	+5
Ciba-Geigy	1,085	+5
do (Part Certs)	800	−5
Credit Suisse	2,525	+10
Elektrowatt	2,415	—
Fischer (Geo)	720	+10
Hoff-Roche PtCts	81,500	+500
Hoff-Roche 1/10	8,150	+25
Interfood	5,550	−25
Jelmoli	1,340	—
Landis & Gyr	1,435	—
Nestle	3,050	—
Oer-Buhrle	2,480	+10
Pirelli	245	—
Sandoz (Br)	4,090	+15
Sandoz (Pt Cts)	503	+1
Schindler (PtCts)	256	−7
Swissair	710	+7
Swiss Bank	367	+2
Swiss Reinsce	7,150	+50
Swiss Volksbk	1,715	−5
Union Bank	3,360	−20
Winterthur	2,640	−180
Zurich Ins	15,300	—

AUSTRALIA

Mar. 17	Price Aust. $	+ or —
ANZ Group	4.6	—
Acrow Aust	1.15	—
Allstate Expl	1.2	—
Ampol Pet	1.78	+0.02
Assoc. Pulp Pap	2.30	—
Audimco	0.19	—
Aust. Cons. Ind	2.02	−0.01
Aust. Guarant	1.65	+0.05
Aust. Nat. Inds	3.32	+0.04
Aust Paper	2.17	+0.02
Bank NSW	3.15	+0.07
Blue Metal	1.87	+0.02
Bond Hldgs	3.0	—
Boral	3.85	—
Bl'ville Copper	1.63	+0.02
Brambles Inds	3.02	+0.02
Bridge Oil	6.7	+0.2
BHP	13.85xr	−0.15
Brunswick Oil	0.33	—
CRA	4.8	—
CSR	6.46	−0.08
Carlton & Utd	2.17	—
Castlemaine Tys	3.6	+0.05
Cluff Oil (Aust)	0.58	—
Do. Opts	0.35	−0.01
Cockburn Cemt	1.35	—
Coles (G.J.)	2.37	+0.02
Comalco	5.2	+0.06
Cons Gold	6.9	—
Containers	5.0	−0.1
Costain	3.8	—
Crusader Oil	6.4	−0.3
Dunlop	1.18	—
Elder Smith GM	3.60	—
Endeavour Res	0.63	−0.02
Gen Prop Trust	1.55	—
Hamersley	3.2	+0.05
Hartogen Energy	3.4	−0.1
Hooker	1.9	—
ICI Aust	2.23	−0.03
Jennings	1.42	—
Jimberlana 25c	1.05	+0.15
Jones (D)	1.56	+0.01
Kia Ora Gold	0.34	+0.01
Lennard Oil	0.90	—
MIM	4.4	—
Meekatharra Ms	6.7	+1.2
Meridian Oil	0.45	—
Monarch Pet	0.45	−0.01
Myer Emp	1.75	−0.02
Nat Bank	2.93	—
News	3.1	—
Nicholas Int	1.30	—
North Bkn Hill	3.2	—
Oakbridge	2.4	+0.1
Otter Expl	1.1	—
Pancon	11.2	+0.2
Pan Pacific	0.25	−0.01
Pioneer Conc	2.47	−0.03
Queen Marg't G	0.37	−0.01
Reckitt & Coln	2.35	−0.05
Santos	18.5	+1.1
Sleigh (H.C.)	1.75	−0.05
Southland M'n'g	0.55	−0.02
Spargos Expl	0.62	+0.11
Thos Natwide	2.32	−0.01
Tooth	2.53	+0.05
UMAL Cons	3.5	—
Vallan Consdt	0.65	−0.04
Waltons	1.10	—
Western Mining	5.12	+0.24
Woodside Petrol	2.58	−0.2
Woolworths	1.98	—
Wormald Intl	4.5	—

HONG KONG

Mar. 17	Price H.K.$	+ or —
Cheung Kong	30.75	+0.85
Cosmo Prop	2.25	—
Cross Harbour	9.1	—
Hang Seng Bank	167	+5
HK Electric	7.6	+0.4
HK Kowloon Wh	8.1	+0.25
HK Land	10.7	+0.1
HK Shanghai Bk	20.2	+0.2
HK Telephone	25.2	+0.3
Hutchison Wpa	15.4	+0.6
Jardine Math	20.4	+0.8
New World Dev	5.66	+0.25
O'seas Trust Bk	5.3	—
SHK Props	15.2	+0.3
Swire Pac A	13.5	+0.1
Wheel'k Mard A	6.8	+0.5
Wheel'k Maritime	5.45	+0.05
World Int. Hldgs	3.67	+0.12

JAPAN

Mar. 17	Price Yen	+ or —
Ajinomoto	865	+4
Amada	615	—
Asahi Glass	500	−5
Bridgestone	465	—
Canon	879	+39
Citizen	370	−4
Daiei	640	+5
DKBO	465	−2
Dai Nippon Ptg	598	−2
Daiwa House	310	−10
Daiwa Seiko	370	−5
Ebara	406	+7
Eisai	1,140	+30
Fuji Bank	476	+1
Fuji Film	1,200	+10
Fujisawa	904	+4
Fujitsu Fanuc	6,300	+100
Green Cross	1,840	+90
Hasegawa	517	−12
Heiwa Rl East	863	+3
Hitachi	347	+8
Hitachi Koki	606	+6
Honda	549	+8
House Food	1,020	+10
Hoya	926	+1
Itoh (C)	335	−4
Ito-Ham	481	−3
Ito-Yokado	1,120	—
JACCS	690	−5
JAL	2,480	+10
Jusco	681	—
Kajima	297	−3
Kao Soap	537	+12
Kashiyama	695	−14
Kikkoman	396	+1
Kirin	451	+6
Kokuyo	1,260	−40
Komatsu	338	—
Komatsu F'lft	655	−2
Konishiroku	605	+11

JAPAN (continued)

Mar. 17	Price Yen	+ or —
Kubota	352	−1
Kumagai	420	−5
Kyoto Ceramic	3,400	+20
Lion	448	—
Maeda Cons	643	−9
Makita	935	+10
Marubeni	373	+1
Marudai	712	+7
Marui	851	−14
Matsushita	915	+8
M'ta Elec Works	578	−21
M'bishi Bank	466	−4
M'bishi Corp	668	+1
M'bishi Elec	221	+6
M'bishi Rl Est	400	−1
MHI	192	+1
Mitsui Co	321	−6
Mitsui Rl Est	512	−7
Mitsukoshi	446	−1
NGK Insulators	447	−3
Nippon Denso	1,050	−10
Nippon Gakki	896	+1
Nippon Meat	451	+7
Nippon Oil	1,430	[illegible]
Nippon Shinpan	840	+8
Nippon Steel	146	+1
Nippon Suisan	214	+1
NTV	4,400	[illegible]
Nissan Motor	721	+1
Nisshin Flour	407	+2
Nisshin Steel	146	—
Nomura	371	+2
NYK	259	+9
Olympus	1,590	[illegible]
Orient	1,150	+60
Pioneer	3,100	[illegible]
Renown	710	+15
Ricoh	635	+8
Sanyo Elect	437	+6
Sapporo	252	—
Sekisui Prefab	716	−14
Sharp	686	+6
Shiseido	895	−4
Sony	3,680	−10
Stanley	515	+3
S'tomo Marine	261	−2
Taihei Dengyo	564	−1
Taisei Corp	219	+2
Taisho Pharm	580	+4
Takeda	880	+38
TDK	4,050	+40
Teijin	155	—
Teikoku Oil	1,060	−20
TBS	519	—
Tokio Marine	622	+1
Tokyo Elect.Pwr	952	−2
Tokyo Gas	113	—
Tokyo Sanyo	529	+6
Tokyu Corp	251	—
Toshiba	243	+8
TOTO	508	−4
Toyo Seikan	409	−1
Toyota Motor	829	−3
Victor	2,880	+20
Wacoal	785	+7
Yamaha	677	+12
Yamazaki	556	−2
Yasuda Fire	274	—
Yokogawa Bdge	600	[illegible]

SINGAPORE

Mar. 17	Price $	+ or —
Boustead Bhd	8.5	[illegible]
Cold Storage	4.76	[illegible]
DBS	7.55	[illegible]
Fraser & Neave	5.85	[illegible]
Haw Par	3.28	—
Inchcape Bhd	3.74	[illegible]
Malay Banking	9.30	—
Malay Brew	5.80	—
OCBC	14.7	[illegible]
Sime Darby	4.0	[illegible]
Straits Trdg	13.3	[illegible]
UOB	5.75	[illegible]

SOUTH AFRICA

Mar. 17	Price Rand	+ or —
Abercom	3.5	[illegible]
AE & CI	8.25	—
Anglo Am. Cp	16	[illegible]
Anglo Am. Gold	102.5	−1
Barlow Rand	10.2	[illegible]
Buffels	44	—
CNA Invests	5.1	—
Currie Finance	2.15	—
De Beers	9.25	—
East Drie	33	[illegible]
FS Geduld	51	[illegible]
Gold Fields SA	65	[illegible]
Highveld Steel	4.35	[illegible]
Hulettes	6.65	[illegible]
Kloof	35.5	—
Nedbank	6.4	[illegible]
OK Bazaars	17.25	—
Protea Hldgs	3.3	[illegible]
Rembrant	6.75	[illegible]
Rennies	8.30	[illegible]
Rust Plat	5.4	—
Sage Hldgs	2.35	[illegible]
SA Brews	3.95	[illegible]
Smith CG Sugar	16.50	—
Sorec	1.9	—
Tiger Oats	17	—
Unisec	2.95	[illegible]

Financial Rand US$0.8[illegible] (Discount of 29¼%)

BRAZIL

Mar. 17	Price Cruz	+ or —
Acesita	0.80	[illegible]
Banco Brasil	2.08	[illegible]
Banco Itau	1.55	—
Belgo Min	2.58	[illegible]
Lojas Amer	2.95	—
Petrobras PP	2.58	[illegible]
Pirelli OP	1.28	[illegible]
Souza Cruz	2.25	[illegible]
Unip PE	7.90	[illegible]
Vale Rio Doce	4.75	[illegible]

T'over Cr.255.4m. Vol. 101.7m.
Source Rio de Janeiro SE.

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

Indices

NEW YORK —DOW JONES

	Mar. 16	Mar. 13	Mar. 12	Mar. 11	Mar. 10	Mar. 9	1980/81 High	1980/81 Low	Since Cmpil't'n High	Since Cmpil't'n Low
●Industr'ls	1002.79	985.77	988.82	987.87	972.56	978.42	1004.69 (6/1/81)	759.13 (21/4)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds	62.46	62.36	62.22	62.12	61.98	62.55	76.81 (23/6)	60.96 (18/12)	—	—
Transport	427.15	420.40	417.48	404.28	405.01	405.45	427.15 (16/3/81)	255.69 (27/3)	427.15 (16/3/81)	12.23 (8/7/32)
Utilities	109.55	108.91	108.99	107.67	108.08	108.51	117.81 (5/1/81)	95.04 (27/3)	163.32 (20/4/69)	10.5 (28/4/42)
TradingVol 000's	48,940	56,280	54,840	47,398	56,610	46,180	—	—	—	—

●Day's high 1005.40 low 979.38

Ind. div. yield %	Mar. 13	Mar. 6	Feb. 27	Year ago (approx)
	5.66	5.74	5.66	6.41

STANDARD AND POORS

	Mar. 16	Mar. 13	Mar. 12	Mar. 11	Mar. 10	Mar. 9	1980/81 High	1980/81 Low	Since Cmpil't'n High	Since Cmpil't'n Low
‡Indust'ls	152.63	150.88	151.11	147.38	147.86	148.66	160.96 (28/11)	111.09 (27/7)	160.96 (28/11/80)	3.52 (30/6/32)
Composite	134.68	133.17	133.19	129.95	130.46	131.72	140.52 (28/11)	98.22 (13/2/80)	140.52 (28/11/80)	4.40 (1/6/32)

	Mar. 11	Mar. 4	Feb. 25	Year ago (approx)
Ind. div. yield %	4.68	4.63	4.46	5.37
Ind. P/E Ratio	9.15	9.27	9.11	7.56
Long Gov. Bond Yield	12.52	12.87	12.75	12.29

N.Y.S.E. ALL COMMON

Mar. 16	Mar. 13	Mar. 12	Mar. 11	1980/81 High	1980/81 Low
77.19	76.32	76.27	74.53	81.02 (28/11)	55.30 22/1/80

Rises and Falls	Mar. 16	Mar. 13	Mar. 12
Issues Traded	1,949	1,925	1,897
Rises	1,082	967	1,195
Falls	497	607	357
Unchanged	370	351	345
New Highs	126	141	92
New Lows	8	4	17

MONTREAL

	Mar. 16	Mar. 13	Mar. 12	Mar. 11	1980/81 High	1980/81 Low
Industrials	376.19	372.22	369.37	363.99	423.90 (29/2/80)	323.31 (27/3)
Combined	352.38	351.75	349.62	345.59	378.96 (20/10)	296.90 (27/3)
TORONTO Composite	2258.8	2246.3	2227.8	2191.8	2402.2 (28/11)	1702.5 (27/3)

	Mar. 17	Mar. 16	Mar. 13	Mar. 12	1980/81 High	1980/81 Low
AUSTRALIA All Ord. (1/1/80)	684.0	683.0	670.7	682.4	746.2 (17/11)	509.1 (3/1/80)
Metal & Minrls. (1/1/80)	620.5	616.4	597.5	582.0	819.0 (17/11)	492.3 (26/3)
AUSTRIA Credit Aktien (2/1/62)	83.15	83.06	82.82	82.85	89.40 (7/1/80)	82.79 (11/3/81)
BELGIUM Belgian SE (31/12/63)	83.58	83.46	82.70	82.56	105.75 (11/2/80)	82.24 (17/3/81)
DENMARK Copenhagen SE (1/1/73)	108.89	106.68	108.91	107.98	108.70 (11/3/81)	74.78 (5/6)
FRANCE CAC General (29/12/61)	112.5	112.4	112.4	111.9	120.3 (6/11)	97.1 (3/1/80)
Ind Tendance (31/12/80)	104.8	104.4	106.8	105.8	108.8 (13 3/81)	85.4 (27/1/81)
GERMANY FAZ-Aktien (31/12/58)	223.70	222.73	221.5	220.06	238.69 (25/2/80)	212.73 (26/8)
Commerzbank(Dec.1953)	689.5	687.0	685.6	678.0	749.2 (25/2/80)	666.4 (16/2/81)
HOLLAND ANP-CBS General (1970)	88.3	87.2	87.6	86.6	90.5 (26/2/81)	74.0 (27/3)
ANP-CBS Indust. (1970)	66.2	65.5	64.7	64.1	69.2 (11/1/80)	58.2 (28/3)
HONG KONG Hang Seng Bank (31/7/64)	1375.32	1344.37	1323.26	1347.49	1654.57 (13/11)	738.9 (19/3)
ITALY Banca Comm. Ital (1972)	227.60	229.76	230.11	231.60	236.47 (2/3/81)	83.11 (2/1/80)
JAPAN Dow Average (16/5/49)	7120.39	7124.33	6999.52	6966.59	7322.06 (2/2/81)	6475.93 (27/3)
Tokyo New SE (4/1/68)	511.96	510.99	502.80	504.00	511.96 (17/3/81)	449.01 (10/3)
NORWAY Oslo SE (1/1/72)	119.72	119.73	120.69	118.01	144.70 (14/2/80)	110.12 (28/3)
SINGAPORE Straits Times (1966)	796.15	782.36	772.09	796.94	825.47 (10/3/81)	429.75 (5/1/80)
SOUTH AFRICA Gold (1958)	(u)	654.2	619.2	596.8	1026.1 (22/9)	496.5 (18/3)
Industrial (1958)	(u)	567.7	565.3	564.4	660.5 (5/11)	456.0 (2/1/80)
SPAIN Madrid SE (30/12/80)	112.50	(c)	112.81	112.89	114.26 (17/2/81)	100.9 (30/12/80)
SWEDEN Jacobson & P. (1/1/58)	483.28	488.37	492.73	489.24	492.73 (13/3/81)	364.72 (17/1/80)
SWITZERLAND Swiss BankCpn.(31/12/58)	298.7	296.9	296.1	295.7	317.9 (11/2/80)	275.3 (26/3)
WORLD Capital Intl. (1/1/70)	—	156.9	154.9	155.2	164.6 (28/11)	128.5 (27/3)

Base values of all indices are 100 except Australia All Ordinary and Metals—500; NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 Industrials. § 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. (c) Closed.

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Kennecott	1,191,300	52½	−1⅛
Ralston Pur.	994,900	13	+⅛
St. Joe Mins	663,700	45⅛	−2⅛
Texaco	540,800	36½	+½
IBM	519,300	64⅝	+1⅛
Sony	509,100	18⅝	+½
Dillingham	450,500	30	+5⅞
Chrysler	405,000	6	+⅛
Boeing	404,700	35⅞	+1⅛
S. Cif. Edis'n	399,000	25⅛	+⅛

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Bid for U.S. futures body studied

By David Lascelles in New York

THE U.S. commodity futures trading industry has lodged a formal proposal with Washington to set up its own self-regulatory body, in a move which would give it more freedom to oversee its own affairs, but also more responsibility to ensure the integrity of the industry.

The proposal, in the form of a 320-page document, has gone to the Commodity Futures Trading Commission, the Washington watchdog of commodities trading, which will have to approve it.

The plan envisages the establishment of the National Futures Association to which all commodity dealers would have to belong. Its main duties would include regulation of dealers by setting financial requirements and ensuring fair trading.

The establishment of such a body is provided for in commodities legislation and the idea has been circulated for many years.

The timing of the proposal is particularly significant, since it seems designed to take advantage of the mood of de-regulation in Washington since the start of the Reagan Administration and the appointment as new CFTC chairman of Mr. Philip Johnson, a Chicago lawyer who was involved in the formative stages of the NFA.

The CFTC is expected to approve the proposal, but the process could take several months. The NFA would take over certain regulatory duties but not policy-making.

Bolivia dims tin pact hopes

BY JOHN EDWARDS, COMMODITIES EDITOR

BOLIVIA yesterday dimmed hopes of a sixth International Tin Agreement emerging from the current negotiating conference in Geneva.

Reuter reported that Bolivia moved away from other tin producing countries in adopting a much harder line. It insisted that the proposed Agreement, planned to replace the existing pact due to expire in June, 1982, should have a buffer stock no greater than 30,000 tonnes. This compares with the 50,000 tonnes suggested under the compromise *package put forward* by Mr. Peter Lai, conference chairman, and 55,000 tonnes (down from 70,000 tonnes) proposed by the U.S.

In addition Bolivia wants mandatory reviews of the Tin Agreement buffer stock price range every six months—a proposal strongly opposed by producers—and says producers should be allowed to cut exports in two stages, strating when 7,500 tonnes has been accumulated by the buffer stock. This is directly contrary to the majority acceptance of the compromise plan that first export controls should only be authorised when buffer stock holdings reached 35,000 tonnes.

Bolivia also objected to the fact that no proposals have been put forward to prevent the U.S., or any other country, from selling strategic stockpiles of tin and disrupting the market.

Meanwhile Reuter reported from Washington that the House Armed Services Committee said it probably will not support an Administration proposal calling for the sale of materials worth over$900m from the U.S. stockpile in view of the present critical state of supplies.

This decision is most likely to affect stockpile plans to sell surplus silvxer, since tin sales of 30,000 tons have already been approved by Congress.

It was confirmed yesterday that Zambia had cut its producer *price for cobalt to $20 a pound* in line with the recent reduction announced by Zaire. Proposals from the U.S. stockpile to buy 1.2m pounds of cobalt have made little difference to cobalt prices in view of the large surplus of supplies available. It is felt any purchase made could well be an intra-government deal, with the U.S. possibility, for example, offering Zaire to exchange grain for cobalt.

Free market platinum values moved higher in early dealings yesterday morning, encouraged by the news that the stockpile authorities were intending to buy platinum materials. But the fall in gold, and doubts whether any stockpile purchases would be agreed in view of the need to finance them by selling surplus stockpile siver supplies, brought an easier trend in later dealings and the market closed lower.

Minister's pledge on dairy levies

By Our Commodities Staff

MR. PETER WALKER, the UK Agriculture Minister, has promised that he will resist EEC Commission proposals that would discriminate against British dairy producers, Scottish animal feed compounders were told in Aberdeen last night.

At the annual dinner of the local branch of the UK Agricultural Supply Trade Association's feed executive, Mr. Andrew Howie, UKASTA's feed executive vice president, said a plan to charge a "super-levy" on production more than 3 per cent above that in 1979 would hit the UK industry particularly hard.

Exemption would be given only on extra milk used for liquid consumption but Britain was already self-sufficient in this sector. So any move towards greater UK self-sufficiency in milk products as a whole would be penalised.

"Worst of all," said Mr. Howie, "it is proposed that a 'triple tax' be imposed of three times the basic levy (6 per cent) on the biggest and most efficient dairy farmers, namely, those who produce more than 15,000 kilos per hectare of fodder area."

CARIBBEAN SUGAR
Slow but certain death

BY CANUTE JAMES IN KINGSTON

THE cane sugar industry, in the Commonwealth Caribbean, historically a pillar of the region's economy, is heading towards a slow but certain death.

Its demise will mean not only a loss of foreign earnings to the weak and oil-harassed economies of the producers, but also a loss of hundreds of thousands of jobs in countries where unemployment is already high and growing.

Ironically, it is the nature of the industry's employment practices which is helping to strangle it. There has been a general reluctance to modernise *and mechanise field and factory* operations, some of which have not changed since the turn of the century. But the industry is also being battered by continuing labour unrest and poor weather.

The result is that the Commonwealth Caribbean states which in the mid-1960s producer a combined total of 1.4m tonnes of sugar annually, now produce 900,000 tonnes. And the outlook is bleak. Projections for this year are for a fall of about 50,000 tonnes. Equally depressing for the industry is that out-moded machinery and methods of production each year increase costs.

The sugar cane industry developed in the region because of two factors — cheap slave labour and the right climate. It is a cruel twist of fate therefore that in Guyana, which has overtaken Jamaica as the region's largest producer, weather has contributed to the industry's decline.

The Guyana Sugar Corporation (GUYSUCO), the state-owned body responsible for the industry, last year set a target of 335,000 tonnes. Continuous poor weather which plagued the year's two crops, eventually forced a premature end to operations in December, by which time only 269,000 tonnes had been produced.

Mr. Harold Davis, chairman *of GUYSUCO*, says the target for this year is 327,000 tonnes, with the first crop, which ends in May, expected to yield 135,000 tonnes. Regional analysts consider the projection more than slightly optimistic, but Mr. Davis is unmoved. "We will have to strive in 1981 to improve considerably so as to reach our set target," he says.

Although there is optimism in Trinidad and Tobago for an improvement in output, there is nothing to indicate that production in the near future will be close to the 150,000-tonne level of 1977. As with other regional cane sugar producers, Trinidad has problems in the factories, and labour unrest in the fields.

Production last year was 113,000 tonnes, and the 150,000-tonne target for this year is in danger simply because the Trinidad and Tobago economy, floating on reserves of $2.2bn from oil exports, does not need sugar to get by.

Two smaller producers in the region have had mixed fortunes: St. Kitts' small industry is again struggling this year to produce 40,000 tonnes. It missed this target last year by 5,000 tonnes. On the other hand Belize has moved by 3,000 tonnes to 103,000 tonnes last year—a development for which Tate and Lyle, which has a hand in managing the industry, claims credit.

Barbados also showed an improvement last year in spite of a rash of fires in canefields at harvest time, and a shortage of domestic labour. Production last year reached 135,000 tonnes, an increase of 18,000 tonnes on 1979.

The island's factories are being upgraded in a $6m modernisation programme, and the industry is making use of Australian technical assistance. The intention is to lower production costs and obtain better economies.

This is the attitude which needs to be adopted by the industry in Jamaica, where production last year fell to 243,000 tonnes, and where a precrop target for this year of 300,000 tonnes has already been revised downward to 260,000 tonnes.

Financial chaos reigns in Jamaican sugar. The government-owned national Sugar Corporation last year lost $11m, bringing accumulated deficits to $55m. While the Barbadian and Belizean industries seek to upgrade their operations, the Jamaican government has been silent on a proposal from Tate and Lyle, that its subsidiary, Tate and Lyle Technical Services, assist in reorganising the industry. The company suggests it can do for Jamaica what it has done for Belize, Zambia and *Swaziland, where production* has increased.

There was, for example, the scare in the region when Tate and Lyle closed its Liverpool refinery which had the region's producers, in concert with other exporters in the African, Caribbean and Pacific (ACP) group, protesting to London and Brussels.

Although now somewhat mollified, there is still general concern over markets. The situation is not helped by the fact that they have suffered a 17 per cent fall in real earnings over the past two years, because of a combination of increasing freight rates and the operation of the European agro-monetary system.

Fall in rubber consumption

THE INTERNATIONAL Rubber Study Group said its estimate of total 1980 world rubber consumption shows a fall from the previous year for the first time since 1975.

The group estimated total 1980 consumption at some 12.55m tonnes (of which 3.88m was natural rubber and 8.68m synthetic) against 1979's 12.92m (3.87m natural, 9.05m synthetic).

World natural rubber production is put at 3.80m tonnes in 1980 against 3.86m in 1979, and synthetic at 8.73m versus 9.29m.

The study group said the main reason for the anticipated drop in 1980 consumption is a fall of nearly a quarter in U.S. consumption.

Politics hamper lifting of U.S. grain ban

WASHINGTON — The overall foreign policy situation has caused problems for the Reagan Administration in fulfilling its promise to lift the U.S. grain embargo against the Soviet Union, the U.S. Agriculture Department said.

Mr. Richard Smith, acting administrator of USDA's foreign agricultural service, told a wheat industry meeting the Soviet Union has taken an aggressive position in foreign policy matters and the administration does not want to send the wrong signal to the world by lifting the embargo.

Speaking at a meeting of the National Association of Wheat Growers and U.S. Wheat Associates, Mr. Smith said the USDA wants to lift the embargo because it has been ineffective and has hurt producers.

"If and when the embargo is lifted there will be an effort to renew the grain agreement with the Soviet Union," he said.

Mr. Smith also said the U.S. is closely following the EEC's policy on subsidised wheat and flour exports and he noted a recent sharp increase in sales to China and Latin America.

Mr. Smith said the USDA was in the process of advising the Common Market of its concern over the subsidised wheat exports.
Reuter.

India to combat jute price competition

NEW DELHI—India proposes to reduce the export prices of some jute goods to meet increasing competition from Bangladesh and China, the industry in New Delhi said yesterday.

China was buying jute from Bangladesh at an undisclosed but "unbelievably" cheap price under a trade agreement to run until 1984 and had exported jute bags to Sri Lanka at prices lower than those quoted by Bangladesh.

The Indian Government declined to comment on these reports, but said Bangladesh and China were exporting jute goods at below production costs.

India is the world's largest jute producer, with an expected output of 8.1m bales, including mesta, in the current July-June season compared with 8.29m bales in 1979-80.
Reuter

Disastrous crop in Angola

LISBON — Angola's official maize harvest body predicted the country's maize crop this year will be 17,740 tonnes due to a disastrous drought in the main growing areas, the Angolan news agency (ANGOP) said.

ANGOP gave no figures for last year's harvest, but the Europa year book gave an unofficial estimate of 400,000 tonnes for 1978.

ANGOP quoted the maize harvest body as saying this year's crop prediction did not take into account the main producing areas of Benguela and Huila since the drought had destroyed virtually all corn growing in those two provinces.
Reuter.

Boost to S. African maize crop

BY BERNARD SIMON IN JOHANNESBURG

SOUTH AFRICA'S maize crop this year will be far bigger than earlier estimates have indicated.

The first official estimate by the Department of Agriculture out yesterday put the crop at 13.4m tonnes, well above the previous record of 11.1m tonnes in 1974.

The exportable surplus this year will be over 7m tonnes, almost double the quantity which will have been exported during the present season ending on April 30.

A surplus of this size will create several problems. Railway and harbour authorities and the Maize Board have begun drawing up plans to move record quantities from the inlend producing areas to the harbours. South Africa's maize exports have up to now been routed through the part of East London and Durban. The authorities are likely to divert a few cargoes to Cape Town.

The Maize Board's current export programme provides for shipment of between 25 and 26 cargoes a month. According to grain traders in Johannesburg, the programe could not be lifted above 30 cargoes with out severe disruptions and delays, and it is unlikely that the full surplus will be exported during the coming season.

South African maize is currently exported at a substantial loss. Production and transport costs amount to around R140 a ton, compared to the free-alongside-elevator price of below R120 a ton. The industry's price stabilisation fund is already in the red.

The selling price is expected to weaken further during the next few months, but the politically powerful maize farmers are pressing for a large increase in producer prices, to take effect in May.

There are fears that the government may have little choice but to approve substantial levies on producers and possibly subsidies to cover losses from this year's record export tonnages.

The volume of South Africa's orange exports in 1981 are likely to be about as the 375,000 tons sold last year, the Citrus Board said in Pretoria. The crop will be about 5 per cent higher, however. The first shipments of oranges to Europe will leave in May.

The Citrus Board said that the overlap between South African fruit and its Mediterranean competitors will probably be smaller than usual this year. The board is hopeful that last year's export earnings of R200m will be matched in 1981.

BRITISH COMMODITY MARKETS

BASE METALS

COPPER — Easier on the London Metal Exchange. Three months opened at £835 and edged up to £838.5 in the rings on light fresh interest. Profit-taking pared the price to £831.5 around mid-day but the market moved ahead strongly in late afternoon trading as a sharp rise on Comex lifted forward metal in London to £840 by the close. Turnover 17,550 tonnes.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Wirebars				
Cash	814.5-5.5	-8.25	815-6	-7.5
3 months	834.5-5.5	-9.75	834.5-5	-9.25
Settlem't	815.5	-8	—	......
Cathodes				
Cash	810-1	-9.25	809-11	-4
3 months	823-4	-10	822-4	-5
Settlem't	811	-9	—	......
U.S. Prod	—		*81.5-85	......

Amalgamated Metal Trading reported that in the morning three months wirebars traded at £837, 36, 35, 34, 34.5, 35, 34.5, 34, 34.5, 35, 34.5, 35. Cathodes, cash £811, 10.5, three months £823. Kerb: Wirebars, three months £835, 35.5. Afternoon: Wirebars, three months £834, 33.5, 34, 34.5, 35, 34.5. Kerbs: Wirebars, three months £835, 35.5, 36, 37, 38, 38.5, 39, 39.5, 40, 39.5.

TIN — Barely changed on balance as good demand for cash metal held three months steady around the £6,185 level for most of the day prior to a close on the late kerb of £6,182.5. Turnover 855 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	6110-20	-10	6090-100	+2.5
3 months	6180-90	-18	6170-5	-8.5
Settlem't	6120	-10	—	......
Standard				
Cash	6110-20	-10	6090-100	+2.5
3 months	6180-90	-20	6170-5	-8.5
Settlem't	6120	-10	—	......
Straits E.	$30.21	......	—	......
New York	—	......	—	

Morning: Standard, cash £6,090, 6,100, 10, three months £6,155, 60. Kerb: Standard, three months £6,180. Afternoon: Standard, three months £6,170, 75. Kerb: Standard, three months £6,180.

LEAD — Little changed. Heavy demand for cash material saw forward metal move up from £322.5 on the early pre-market to £327 in the morning rings with the contango narrowing to £2. In the afternoon the rise in copper prompted further light interest and forward metal rose to close the late kerb at £328 with the contango widening to £6. Turnover 8,725 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	324-5	-3	319-20	-1
3 months	326-7	-6	325-6	-2
S'ment	325	-3	—	......
U.S. Spot	—	......	*34	......

Morning: Cash £322, 23, 24, three months £325, 24, 24.5, 24, 25, 26, 27. Kerb: Three months £326, 26.5. Afternoon: Three months £326, 26.5, 27, 26. Kerb: Three months £326.5, 27, 28.

ZINC — Steady for forward metal which traded from £349.5 down to £346.5 before recovering to close the late kerb at £349.5. A feature of the day's trading was the technical squeeze on nearby supplies which narrowed the contango to around £9. Turnover 5,375 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unoffic'l	+ or —
	£	£	£	£
Cash	337-.5	-6.25	340-1	......
3 months	346-7	-6.25	349-.5	-1.75
S'ment	337.5	-5.5	—	......
Primw'ts	—		*41.5	......

Morning: Three months £347, 46.75, 47, 46.5. Kerb: Three months £347. Afternoon: Three months £348.5. Kerb: Three months £350, 48.5, 50, 49, 50, 51.

ALUMINIUM — Quietly steady with forward metal easing to £658 before recovering to close the late kerb at £661.5. Turnover 7,950 tonnes.

Alumin'm	a.m. Official	+ or —	p.m. Unoffici'l	+ or —
	£	£	£	£
Spot	645-7	-8.25	651-2	+2.5
3 months	656.5-7	-8	660-.5	-.75

Morning: Three months £658, 57.5, 57, 56.5, 56, 56.5. Kerb: Three months 657. Afternoon: Three months £657, 60. Kerb: Three months £660, 61, 62.

NICKEL — Barely changed in routine trading which left three months metal at £2,785 on the late kerb. Turnover 198 tonnes.

NICKEL	a.m. Official	+ or —	p.m. Unoffici'l	+ or —
Spot	2790-800	-37.5	2800-10	+2.5
3 months	2780-5	-55	2785-90	......

Morning: Three months £2,780, 75, 80, 82. Afternoon: Three months £2,780, 85.

* Cents per pound. ‡ M$ per kilo. † On previous unofficial close.

SILVER

Silver was fixed 7.8p an ounce lower for spot delivery in the London bullion market yesterday at 550.65p. U.S. equivalents of the fixing levels were: spot $12.42, down 5c; three-month $12.853, down 5.7c; six-month $13.332, down 5.9c; and 12-month; 14.192, down 8.7c. The metal opened at 546p-555p ($12.3-$12.5) and closed at 541p-550p ($12.2-$12.4).

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	550.65p	-7.8	543.0p	-8.75
3 months	567.15p	-8.05	559.5p	-8.0
6 months	585.10p	-8.2	—	......
12months	616.90p	-8.2	—	......

LME — Turnover 67 (111) lots of 10,000 ozs. Morning: Three months 568, 67, 68, 67.5. Afternoon: Three months 565, 58, 59, 60. Kerb: Three months 560, 62, 63.

COCOA

The sedate tone of cocoa futures continued today with an £8 range and a close unaltered to that of Monday evening. Physical cocoa fully reflected this almost lethargic situation and both producers and consumers were unwilling to participate in any major way, reports Gill and Duffus.

COCOA	Yes'rday's Close	+ or —	Business Done
March	880-90	+3.5	882
May	946-47	—	951-43
July	964-66	-1.0	970-62
Sept.	985-86	+4.0	988-82
Dec.	1009-10	+3.0	1012-06
March	1031-32	+2.0	1034-29
May	1048-52	+2.5	1053-51

Sales: 2,374 (3,763) lots of 10 tonnes.

ICCO Futures—Daily price for March 16: 97.12 (97.88); five-day average 96.13 (85.54).

COFFEE

An unchanged fundamental situation and a mixed New York close offered no fresh incentive to a quiet Robusta market as values opened marginally lower in poor volume, reports Drexel Burnham Lombert. A large percentage of the day's turnover consisted of self-trades and switching operations whilst the majority of the activity was confined to a narrow trading range.

COFFEE	Yesterday's Close	+ or —	Business Done
	£ per tonne		
March	988-89	-14.5	996-89
May	1012-14	-8.5	1020-10
July	1024-25	-6.5	1030-24
Sept.	1037-38	-8.5	1044-36
Nov	1039-40	-11.0	1048-40
Jan	1037-43	-12.5	1050-37
March	1034-37	-7.5	1043-37

Sales: 4,262 (1,711) lots of 5 tonnes.

ICO indicator prices for March 16 (U.S. cents per pound): Other Mild Arabicas 124.50 (123.67); Robustas ICA 1976 112.50 (112.75); ICA 1968 112.75 (113.00). Unwashed Arabicas 219.00. Comp. daily ICA 1968 unquoted.

RUBBER

The London physical market opened easier, with little interest throughout the day, closing dull. Lewis and Peat reported an fob April price for No. 1 RSS in Kuala Lumpur of 290.25 (293.5) cents a kg and SMR at 259.5 (261.5).

No 1. R.S.S.	Yest'r'ys close	Previous close	Business Done
Apr.	58.10-58.00	58.10-58.50	—
May	58.50-59.50	60.50-60.70	—
Apr-Jne	58.50-59.50	60.20-60.50	59.70-58.50
Jly-Sept	62.60-62.80	63.80-63.90	63.40-62.50
Oct-Dec	65.70-65.80	66.80-66.90	66.30-65.70
Jan-Mar	68.68-68.80	69.70-69.80	69.10-68.00
Apl-Jne.	71.50-71.80	72.50-72.70	—
Jly-Sept	74.10-74.50	75.50-75.50	74.80-74.20
Oct-Dec	77.80-77.10	78.10-78.20	77.70-77.50

Sales: 386 (432) at 15 tonnes, none at five tonnes. Physical closing prices (buyer) were: Spot 57.00p (58.00p), April 61.00p (62.00p). May 61.50p (62.50p).

SOYABEAN MEAL

The London market opened slightly easier on stronger sterling, reports T. G. Roddick. The market remained dull as traders await the USDA new crop acreage report.

	Yest'rd'ys Close	+ or —	Business Done
	£ per tonne		
April	124.00-24.2	-0.55	124.40-25.60
June	124.90-25.2	-0.80	125.50-24.80
August	127.10-27.5	-1.20	127.80-27.00
October	129.20-28.5	-1.0	129.50-29.00
December	130.50-32.0	—	—
February	131.80-35.0	-0.50	—
April	131.50-36.0	+0.25	—

Sales: 154 (66) lots of 100 tonnes.

WOOL FUTURES

LONDON NEW ZEALAND CROSS-BREDS—Close (in order buyer, seller, business sales). New Zealand cents per kilo. March 336, 355, nil, nil; May 349, 355, 364-352, 6; Aug. 361, 362, 362, 3; Oct. 362, 369, 369, 4; Dec. 372, 376, 375-374, 7; Jan. 375, 378, 378-377, 12; March 379, 383, 381-380, 5; May 382, 385, 383, 4; Aug. 382, 386, 385-384, 4. Sales: 45.

SYDNEY GREASY WOOL—Close (in order buyer, seller, business, sales). Australian cents per kilo. March 492.0, 502.0, 502.0-495.0, 186; May 466.1, 467.0, 469.0-465.0, 170; July 470.6, 471.5, 477.0-469.0, 316; Oct. 465.9, 470.0, 473.5-46.0, 103; Dec. 472.5, 474.0, 477.0-471.0, 116; March 481.5 482.5, 486.0-481.0, 69; May 491.0, 492.0, 492.0-489.0, 36; July 494.2, 498.0, 498.0-495.0, 21. Sales: 1,017.

SUGAR

LONDON DAILY PRICE—Raw sugar £236.00 (£228.00) a tonne for cif March-April-May shipments. White sugar daily price was £270.00 (£269.00).

The market first traded some £2 above kerb levels but prices drifted later and by early afternoon August had fallen to £230.50. However, gains of around £7 then occurred as New York moved sharply higher before profit-taking at the close pared the gains some £2, reports C. Czarnikow.

No. 4 Contract	Yest'rdy's Close	Previous Close	Business Done
	£ per tonne		
May	259.10-59.20	255.25-55.50	241.75-28.00
Aug.	255.20-55.25	229.50-30.00	257.00-28.00
Oct.	252.50-32.75	226.50-27.00	254.00-27.00
Jan.	220.00-21.00	214.75-15.50	219.50
March	220.40-20.45	214.95-15.00	220.50-17.50
May	219.95-20.25	214.50-15.50	220.25-20.00
Aug	219.90-20.05	214.00-15.50	—

Sales: 8,547 (7,500) lots of 50 tonnes.

Tate and Lyle ex-refinery price for granulated basis white sugar was £342.6 (same) a tonne for home trade and £312.00 (304.00) for export.

International Sugar Agreement (U.S. cents *per pound) fob and stowed* Caribbean port. Prices for March 16. *Daily price* 21.09 (20.94); 15-day average 22.03 (22.19).

GRAINS

LONDON GRAINS FUTURES—The market opened unchanged. Values rose 45 before being trimmed on nervous shortcovering. Barley closed mixed 10p either side of unchanged while new crop wheat closed 20p-30p higher. Old crops were dull for most of the day. Wheat closed the market 5p-10p lower and barley moved slightly higher, reports Acli.

Mnth	WHEAT Yesterd'ys close	+ or —	BARLEY Yesterday close	+ or —
Mar	110.65	-0.85	97.45	+0.15
May	112.75	-0.10	99.70	+0.15
July	116.40	-0.10	—	—
Sep	99.50	+0.25	94.45	+0.10
Nov	103.20	+0.20	98.05	....
Jan	107.15	+0.30	101.75	+0.18

Business done—Wheat: March 110.70-110.55, May 112.90-112.65, July 116.60-116.30, Sept. 99.60-99.50, Nov. 103.40-103.20, Jan. 107.30-107.10. Sales: 152 lots of 100 tonnes. Barley: March 97.40-97.25, May 99.70-99.55, July no trade, Sept. 94.60-94.40, Nov. 98.25-98.15, Jan. 102.05-101.75. Sales: 124 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. Hard Winter 13½ per cent March 103.00, April 102.50 transhipment east coast. English Feed fob March 115.50 paid east coast, May 117, June 118 east coast. Maize: French March/April 123.50 transhipment east coast. South African Yellow March/April 87.00 seller. Barley: English Feed fob April 103 paid east coast, May and June 103.50 sellers east coast. Rest unquoted.

HGCA—Locational ex-farm spot prices. Other milling wheat: W. Midlands 112.00. Feed barley: S. East 96.00, W. Midlands 97.10, N. West 97.30. The UK Monetary Coefficient for the week beginning Monday, March 23 is expected to remain unchanged.

COTTON

LIVERPOOL — Spot and shipment sales amounted to 161 tonnes, bringing the total for the week so far to 356 tonnes. Fair offtake ensued and buyers recognised more stability in the price level after extensive falls earlier in the year. Activity centred on African and South American styles, without much attention being directed towards United States staple.

POTATOES

LONDON POTATO FUTURES — The market was weaker on better turnover, closing at the lows, reports Colys and Harper. Closing prices: April 58.30 —60 (high 58.80, low 58.40); Nov. 57.00 —60 (high 57.50, low 57.00); Feb. 66.30 —60 (high 66.70, low 66.30). Turnover: 68 (10) lots of 40 tonnes.

PRICE CHANGES

	Mar. 17 1981	+ or —	Month ago
Metals			
Aluminium	£810/815	......	£810/815
Free Mkt	$1460/1480	......	$1455/465
Copper			
Cash w'bar	£815.5	-7.5	£775.5
3 mths	£834.75	-9.25	£798.75
Cash Cathode	£810	-4	£773
3 mths	£823	-5	£784.5
Gold troy oz	$492.5	-6	$490.5
Lead Cash	£319.5	-1	£294.75
3 mths	£325.5	-2	£304.625
Nickel	£3,358.65	......	£3,156
Freemkt	275/290c	......	275/290c
Platin'mtr'y oz	£218.95	......	£202
Freemkt	£218.95	-2.8	£206.10
Quicksilver†	$405/415	......	$398/400
Silver troy oz	550.65p	-7.8	565.25p
3 mths	567.15p	-8.05	582.30p
Tin Cash	£6,095	+2.5	£5,912.5
3 mths	£6,172.5	-8.5	£6,075
Tungsten22.04lb	$146.23	+0.76	$144.72
Wolfrm 22.04 lbs	$151/155	......	$149/153
Zinc Cash	£340.5	......	£313.25
3 mths	£349.25	-1.75	£324.25
Producers	$825	......	$825
Oils			
Coconut (Phil)	$590x	......	$595
Groundnut	‡	......	‡
Linseed Crude	£413	......	£400
Palm Malayan	$600v	......	$610
Seeds			
Copra Philip	$385	-5	$390
Soyabean(U.S.)	$310y	......	$303
Grains			
Barley Futures	£99.70	+0.15	£98.60
Maize			
French	£123.50	......	‡
Wheat			
No 1 Red Spg.	‡		‡
No2 HardWint	£103.00	-2.25	£105
Eng. Milling†	‡		‡
Other commodities			
Cocoa ship't	£1,042	......	£988
Future May	£946.5	......	£859.5
CoffeeF t'May	£1015	-8.5	£1034.5
Cotton A.Index	91.30c	-0.35	95.35c
Rubber (kilo)	57p	-1	56p
Sugar (Raw)	£246	+8	£280
Woolt'ps 64s kl.	318p kilo	-2	302p kilo

† Unquoted. u May-June. x March-April. w April-May. v May. y April. z Indicator. § Buyer. ‡ Per 45 lb flask. * Nominal.

MEAT/VEGETABLES

SMITHFIELD—Pence per pound. Beef: Scotch killed sides 72.0 to 76.0, Eire hindquarters 83.8 to 86.6, forequarters 54.2 to 56.2 Veal: Dutch hinds and ends 110.5 to 113.0. Lamb: English small 73.2 to 81.2, medium 72.4 to 78.4, heavy 66.2 to 75.5. Imported frozen: NZ pl 54.0 to 55.5, pm 53.0 to 54.5. Pork: English, under 100 lbs 44.6 to 50.9, 100-120 lbs 44.1 to 49.4, 120-160 lbs 41.9 to 47.6.

MEAT COMMISSION—Average fatstock prices at representative markets on March 17. GB cattle 88.60p per kg lw (+0.78). GB sheep 169.66p per kg est dcw (+5.66). GB pigs 69.61p per kg lw (+0.41).

COVENT GARDEN—Prices for the bulk of produce, in sterling per package except where other wise stated. Imported Produce: Oranges—Jaffa: Shamoutis 50/189 4.50-5.05: Spania: Navels 48/100 4.20-4.80: Cyprus: Shamoutis/V. Lates 80/108 3.60-3.80. Lemons—Spania: Trays 25/5 42.20-2.40: Cyprus: 10 kgs 4.00-4.50; Californian: 95/140 6.00-6.50; Italian: 100/120 3.75-4.50; S. African: 80/100 5.80; Jaffa: 5.80, half-boxes 40/45 2.80. Grapefruit—Cyprus: 20 kgs 40/64 3.00-3.40; Jaffa: 20 kgs 36 4.45, 40 4.50, 48 4.65, 56 4.40, 64 4.05, 75 3.85. Mandarins—Spania: 126/140 4.20, 154 4.00, 168 3.80, 182 3.40. Wilkings—Spania: 80/96 5.50, 126 5.20, 140 5.00, 154 4.80, 168 4.50, 182 4.20; Jaffa: 22 lbs 80/90 4.20. Temples—Jaffa: 24 lbs 60/82 5.00-5.40.

GRIMSBY FISH — Supply good, demand fair. Prices at ship's side (unprocessed) per stone: Shell cod £2.60-£3.20, codlings £1.70-£3.00. Large haddock £3.00-£3.80, medium £2.70-£3.60, small £1.80-£2.40. Best small plaice £2.00-£2.60. Skinned dogfish (small) £5.50. Lemon soles (large) £14.50. Reds £2.00-£2.50. Saithe £1.80-£2.40.

AMERICAN MARKETS

NEW YORK, March 17

THE MARKET psychology turned completely around providing advances on short covering rallies across the board. In the case of precious metals and Copper the trigger point was the weakness of the dollar. Sugar prices finished higher due to the cancellation of the Philippine sales contract, reported Heinold.

Copper—March 84.00 (82.45). April 83.95 (83.00). May 84.90-85.40, July 87.10-87.50, Sept. 89.90, Dec. 93.00, Jan. 93.45, March 95.90, May 97.25, July 99.70, Sept. 101.05, Dec. 103.85, Jan. 104.80.

Potatoes (round whites)—April 147.3-148.1 (146.1). Nov. 88.3-88.4 (8.0).

Sugar—No. 11: May 22.51-22.60 (21.57), July 22.50-22.55 (21.51), Sept. 22.15-22.27, Oct. 22.10-22.17, Jan. 20.75-20.95, March 20.90-20.95, May 21.15, July 21.20-21.30.

Tin—623.0-642.0 (621.0-636.0).

CHICAGO, March 17.

Lard—Chicago loose 19.50 (same).

Live Cattle—April 61.85-61.90 (61.15), June 65.55-65.45 (64.97), Aug. 66.40-66.30, Oct. 64.90-64.80, Dec. 66.47-66.40, Feb. 67.20, April 67.50.

Live Hogs—April 40.82-40.82 (39.32), June 45.72 (44.22), July 48.55, Aug. 45.97, Oct. 45.55, Dec. 49.50, Feb. 51.87, April 50.10, June 55.00.

‡‡Maize—March 353¾-354¼ (347½), May 361½-363¾ (357½), July 371-372, Sept. 369¾-370, Dec. 370½-371, March 382½.

Pork Bellies — March 43.45 (41.45), May 4.60 (42.60), July 46.27, Aug. 45.55, Feb. 57.80, March 56.62, May —.

Silver—March 1280.0 (1238.0), April 1285.0 (1245.0), May 1298.0, June 1312.0, Aug. 1342.5, Oct. 1373.0, Dec. 1403.5, Feb. 1434.0, April 1464.5, June 1495.0, Aug. 1525.5, Oct. 1556.0, April 1647.0, June 1678.0, Aug. 1708.5, Oct. 1739.0.

†Soyabeans—March 748½ (733), May 765-767 (751), July 787½-789, Aug. 797, Sept. 803, Nov. 820-821, Jan. 839-839½, March 859.

‖Soyabean Meal—March 213.0-213.2 (208.6), May 218.5-220.0 (214.4), July 226.0-227.0, Aug. 229.5-230.0, Sept. 232.5, Oct. 233.5-234.0, Dec. 237.5-237.0, Jan. 238.0, March 243.0-245.0, May —.

Soyabean Oil —March 23.82-23.90 (23.67), May 24.49-24.45 (24.23), July 25.22-25.25, Aug. 25.50-25.55, Sept. 25.75, Oct. 26.00, Dec. 26.60, Jan. 26.70, March 27.30-27.35, May 27.80-27.85.

†Wheat—March 430½ (429½), May 440½-441½ (434¾), July 444-445, Sept. 457½-458, Dec. 477½-478, March —.

WINNIPEG, March 17.

§Barley—March 150.80 (150.50), May 152.30 (152.10), July 152.50, Oct. 151.70, Dec. 150.70.

Monday's closing prices

NEW YORK, March 16.

‡‡Cocoa—March 2040 (2021). May 2070 (2051), July 2115, Sept. 2150, Dec. 2205, March 2257, May 2300, July —. Sales: 2,427.

Coffee—March 119.55 (119.00). May 120.90-121.10 (120.73), July 122.40, Sept. 124.10-124.20, Dec. 123.20, March 122.50, May 122.49-122.50, July 122.00-122.50. Sales: 769.

Cotton—No. 2: May 85.50-85.70 (87.15), July 86.50-86.60 (87.70), Oct. 85.20-85.25, Dec. 83.25-83.30, March 83.90-84.00, May 84.40-84.75, July 84.90-85.50. Sales: 7,500.

*Gold—March 493.1 (486.10), April 495.0-496.5 (488.50), May 501.0, June 506.0-507.0, Aug. 517.0-519.0, Oct. 530.0, Dec. 544.0, Feb. 553.6, April 565.4, June 577.2, Aug. 589.1, Oct. 601.0, Dec. 613.0. Sales: 35,000.

Heating oil (cents per U.S. gallon)—April 0.9567 (0.9580), May 0.9540 (0.9540), June 0.9565, July 0.9600, Aug. 0.9705, Sept. 0.9920, Oct. 1.0150, Nov. 1.0400, Dec. 1.0650, Jan. 1.0820, Feb. 1.1015, March 1.1180. Sales: 2,582.

Orange Juice—March 128.05 (133.00), May 131.70 (136.70), July 135.40, Sept. 138.20, Nov. 137.80, Jan. 134.60, March 135.75, May 136.75, July 137.50-138.50. Sales: 1,500.

*Platinum—March 489.5 (474.5), April 490.0-493.8 (477.0), May —, July 504.5-506.5, Oct. 526.0, Jan. 539.5, April 555.5. Sales: 2,454.

¶Silver—March 1234.0 (1214.0), April 1242.0 (1222.0), May 1256.0-1260.0, July 1288.0-1290.0, Sept. 1321.5, Dec. 1369.0, Jan. 1385.0, March 1417.0, May 1449.0, July 1481.0, Sept. 1513.0, Dec. 1561.0. Sales: 3,200. Handy and Harman bullion spot 1232.0 (1219.0).

Sugar—May 21.57 (21.01), July 21.51 (20.94), Sept. 21.27, Oct. 21.17, Jan. 19.95, March 19.98, May 20.20, July 20.30. Sales: 8,317.

CHICAGO, March 16.

Chicago 1mm Gold—March 496.0 (488.0), April 500.0 (489.0), June 508.0-506.5, July 517.5, Sept. 524.0-526.0, Oct. 523.1, Dec. 542.0, Jan. 540.7, March 558.0, April 558.4.

WINNIPEG, March 16. §Barley—March 150.50 (151.50), May 152.10 (153.00), July 152.30, Oct. 151.90, Dec. 151.00.

§Wheat—SCWRS 13.5 per cent protein content cif St. Lawrence 265.65 (265.55).

EUROPEAN MARKETS

ROTTERDAM, March 17.

Wheat—U.S. Two Dark Hard Winter 13.5 per cent April/May/June/July $210. U.S. No. Two Red Winter April $205, May $208, June/July $191. U.S. No. Two Northern Spring 14 per cent May $208.50, June $209.50, July $210.50, Aug. $211.50, Sept. $212.50.

Maize—Afloat $164, March $164, April $163, May $165, June $168.75, July/Sept. $172, Oct./Dec. $172.25, Jan./March $184.

Soyabeans—U.S. Two Yellow Gulf ports March 10/April $304, April $303.25, May $305.25, June $310.25, July $313.25, Aug. $316.50, Sept. $320, Oct./Nov. $323, Dec. $329.50, Jan. $335, Feb. $341, March $343, Argentine/Uruguay/Brazil/Paraguay May $304, June $305, July $305.50.

Soyameal—44 per cent protein U.S. afloat $273/$268 traded, March/April $268, May $265.50, June $270, April/Sept. $271, Nov./March $290, Brazil Pellets afloat $283.50, April $276, May $276.50, April/June $279.50, April/Sept. $281.50.

PARIS, March 17.

Cocoa (FFr per 100 kilos)—March 985/1,039, May 1,021/1,028, July 1,045, Sept. 1,090/1,092, Dec. 1,110/1,118, March 1,120/1,135, May 1,140/1,160. Sales at call 0.

Sugar (FFr per tonne)—May 2,971/2,980, July 2,950/2,990, Aug. 2,825/2,829, Oct. 2,665/2,675, Nov. 2,650/2,680, Dec. 2,550/2,620, March 2,465/2,475, May 2,485/2,485. Sales at call 13.

INDICES

FINANCIAL TIMES

Mar. 16	Mar. 12	Month ago	Year ago
258.01	258.45	253.64	292.20

(Base: July 1, 1952=100).

MOODY'S

Mar. 16	Mar. 13	Month ago	Year ago
1131.8	1130.3	1163.7	1180.7

(December 31, 1931=100)

DOW JONES

Dow Jones	Mar. 16	Mar. 13	Month ago	Year ago
Spot	416.20	415.65	422.55	409.25
Fut'rs	426.82	427.70	437.48	428.97

(Average 1924-25-26=100)

REUTERS

Mar. 17	Mar. 16	M'nth ago	Year ago
1704.6	1716.3	1691.8	1720.5

(Base: September 18, 1931=100)

CONTRACTS AND TENDERS

LONDON STOCK EXCHANGE

Equity leaders extend rally in bid-sensitive markets but Government securities fade after good start

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Mar. 2	Mar. 12	Mar. 13	Mar. 23
Mar. 16	Mar. 26	Mar. 27	Apr. 6
Mar. 30	Apr. 8	Apr. 9	Apr. 21

* "New time" dealings may take place from 9 am two business days earlier.

Encouraged initially by Wall *Street's overnight advance*, London equity markets made a more positive improvement yesterday. The advance took place over a fairly broad front, with the Banking and Hire Purchase sectors attracting considerable attention following the early morning announcement of the agreed merger *between Royal Bank of Scotland* and Standard Chartered, and also the bid for Lloyds and Scottish from Lloyds Bank.

Institutional support was more *in evidence for equities* and once again it was the Electrical sector which led the market higher. Demand often found stock in short supply and as a consequence leading industrials moved ahead fairly quickly. Interest began to fade in the afternoon, but the firm tone continued and the FT 30-share index closed at the day's best with a fresh rise of 7.8 at 487.6.

Final gains among the index constituents extended to 8 as in GEC. while GKN benefited from bear-closing in front of today's preliminary statement. Elsewhere, the recent spate of overseas and domestic bid activity continued to stimulate interest in a wide range of possible takeover candidates in many sectors of equity and mining markets.

Sterling's fresh rise against the dollar coupled with the fall in U.S. Treasury bill and Prime rates assisted the Gilt-edged sector. Early demand enabled the Government broker to make further sales of the £15-paid tap, Exchequer 12¼ per cent 1990 at 15$\frac{1}{16}$ before withdrawing at that level. The lack of sufficient *funds to* exhaust the tap, however, appeared to restrain further buying interest and long-dated maturities shed early improvements ranging to ¼ to close narrowly mixed. *Elsewhere, final* movements favoured marginal losses of ⅛.

Limited investment funds were placed in Southern Rhodesian bonds and the 2½ per cent 1965-70 non-assented rose 4 points to £132, while Zimbabwe Settlement Annuities gained 5 more to £360.

Demand for Traded options remained relatively low, total contracts amounting to only 613, of which 112 were arranged in RTZ.

Banks active

Bank jobbers were virtually assured an active trade following early news of the agreed Royal Bank of Scotland and Standard Chartered merger terms and the 200p per share cash offer for Lloyds and Scottish from Lloyds Bank. Dealings in both RBS and Standard were resumed at around 9.30 am and the former rose sharply from Monday's suspended level of 96p to touch 140p before closing at 138p compared with Standard's terms worth 148p per share; the latter retreated to 630p from the overnight suspended level of 695p and ended at 643p. Lloyds and Scottish were marked up to match the 200p per share cash bid and closed 11 higher at *196p, while Lloyds firmed 8 to* 315p. Other Hire Purchases were excited by the bid developments and Provident Financial jumped 13 to 146p, after 149p, Wagon Finance added 4 at 52p, after 54p, and FNFC *improved 1½ to 33p.* London Scottish Finance were additionally helped by satisfactory interim results and closed *3* better at 64p. Elsewhere, Barclays firmed 10 to 390p as did Bank of Scotland, to 300p, while NatWest put on 8 at 358p. Midland, however, lost 7 to 308p on nervous selling ahead of Friday's preliminary results. A past speculative favourite Grindlays, which were strongly supported overnight, finished 9 lower at 176p as bid hopes receded; the price in yesterday's issue was incorrect.

Breweries and kindred issues came in for scattered support and often closed with modest rises. Bass rose 3 to 206p, while Whitbread firmed 2 at 142p. *Boddingtons, annual results due* tomorrow, also added 2 at 109p. Wines and Spirits were featured by Invergordon, 4 better at 169p, while Amalgamated Distilled Products continued to reflect bid hopes with a rise of 2 to 54p.

Enlivened by several good company trading statements, the Building sector made a bright showing. Barratt Developments rose 24 to a 1980-81 peak of 226p in response to the better-than-expected interim results, while Fairclough Construction gained 12 to 95p on the increased preliminary profits and dividend. Renewed demand in a thin market lifted Wilson (Connolly) 23 to 205p, while William Whittingham revived, at 170p, up 8. Bellway put on 6 to 92p and Countryside 4 to 95p, while P. C. Henderson "A" gained 10 to 135p. Among the leaders, Blue Circle firmed 6 to 382p and Tarmac hardened a couple of pence to 306p. Taylor Woodrow improved 5 to 503p.

Turnover in ICI was relatively small, but the price hardened 2 to 334p. Fisons attracted support on recovery hopes and improved 7 to 142p. Elsewhere, International Paint picked up 4 to 97p.

H. Goldman up

Leading Stores made useful progress, although trading conditions were often thin. GUS "A" featured with a gain of 14 to 462p, Mothercare rose 6 at 220p, while Marks and Spencer, at 118p, and Burton, at 125p, added 4 apiece. Gains of 3 were noted for W. H. Smith, 145p, and Debenhams, 82p. Selected secondary counters also displayed occasional sizeable rises, notably H. Goldman, 11 dearer at 42p. Bakers Household revived with a rise of 7 to 116p and, among D-I-Y stocks, A. G. Stanley added 4 at 69p. Mail-orders also trended firmer and Freemans picked up 4 at 116p; the annual results are expected later this month. In Shoes, Pittard eased a couple of pence to 46p following the full-year loss.

Electricals took the previous day's improvement a stage further when renewed institutional support found the market none too well supplied with *stock. Although interest waned* considerably in the afternoon, GEC closed 8 higher at a 1980-81 peak of 655p, while Thorn EMI put on 7 at 315p as did Plessey at 330p. Racal rose 5 to 359p after *362p*, and BICC added 8 at 208p; the latter's preliminary results are due on April 8. Philips Lamps rose 10 to 357p and Standard Telephones and Cables, results due on Friday, firmed 9 more to 518p. Elsewhere, Electrocomponents, 678p, and Ferranti, 555p, rose 13 and 12 respectively and Kode International advanced 15 to 305p. Still reflecting favourable comment, Sound Diffusion gained 7 at 102p, while Farnell appreciated 8 at 380p. AB Electronic eased to 100p on news of the interim dividend cut and first-half deficit but rallied to finish a net 2 harder at 106p.

Engineering contributed to the firm trend. Awaiting today's preliminary results, GKN, at 131p, retrieved half of the previous day's fall of 8. Hawker also rose 4 to 278p, while Vickers improved 3 to 165p, after 167p. Elsewhere, Haden Carrier continued firmly at 242p, up 8, and Davy Corporation advanced 6 to 153p on renewed bid speculation. The pleasing annual profits and increased dividend from IMI outweighed the proposed £27½m rights issue and the close was a penny harder at 61p. Thomas Robinson added 4 at 69p as did Wolseley Hughes at 232p. Still reflecting the recent poor half-yearly results, Yarrow fell 15 more to 235p.

Brooke Bond firmed 2½ to 48½p in response to the better-than-*expected interim results, while* Cadbury Schweppes, preliminary figures due tomorrow, rose 3 to 76p. Renewed investment support lifted Avana 9 to 214p; Robertson, in receipt of a bid from the former, gained 13 to 149p. Selected Food Retailers also made good progress, Kwik Save rising 7 to 189p and Bejams 8 to 120p, the latter in front of today's interim statement. A squeeze on bear positions lifted Hazlewoods 4 to 170p. Bernard Matthews gained 20 more to 390p in a thin market.

Ladbroke, up 11 at 270p, provided the outstanding movement in Hotels and Caterers.

BTR up again

Guided by the Electrical sector, miscellaneous industrial leaders made good progress. Pilkington put on 10 at 292p, Unilever improved 8 at 490p and Glaxo 6 at 280p. Reckitt and Colman also gained 6 at 200p, while Turner and Newall rose 3½ to 79½p, the latter to the accompaniment of takeover rumours. Elsewhere, BTR stood out with a fresh jump of 32 to a 1980-81 high of 472p with sentiment still boosted by the recent good results and proposed 50 per cent scrip-issue. Press reports of a possible rescue operation being mounted helped ICL rise 3 to 45p, after 48p, while Crest Nicholson continued to respond to an investment recommendation with a further rise of 9 to 168p. Revived bid hopes lifted Davies and Newman 15 to 168p and Gropperrods 7 to 145p. Sangers advanced 9 to 74p, also on demand of a speculative nature, while J. H. Fenner hardened 3 to 150p after Press comment. Stag Furniture, however, fell 5 to 83p following disappointing preliminary results. Profit-taking ahead of today's figures left J. Hewitt (Fenton) 5 down at 58p.

Associated Leisure rose 8 to 131p and Management Agency and Music 6 to 188p, both in response to favourable Press Comment. Also in the Leisure sector, Boosey and Hawkes firmed 2 to 145p following a U.S. acquisition.

Movements in Motors were scarce, part from Dowty which provided outstanding exception with a spurt of 15 to 259p on increased investment support.

Advertising agencies remained to the fore under the lead of Saatchi and Saatchi, 19 higher at 362p following its success in landing the Ronson contract. Geers Gross rose 8 more to 100p, while poster concern More O'Ferrall gained 10 to 133p. DRG added 3 at 83p awaiting today's annual results.

Oils better

The emphasis in Properties switched from the second liners to the leaders. Land Securities revived with a rise of 8 to 402p and MEPC improved 4 to 231p. Great Portland Estates firmed 6 to 236p, while Haslemere Estates, 396p, and Stock Conversion, 338p, *added 4 and 5 respectively.* Elsewhere, C. H. Beazer rose 7 to a 1980-81 peak of 120p. Daejen gained the same amount to 170p, while M. P. Kent improved 6 to *137p.*

Oils took a distinct turn for the better on Wall Street influences. British Petroleum, 392p, and Shell, 396p, firmed 4 apiece. *Lasmo gained 18 to 608p,* while Tricentrol, preliminary results due next week, rose 6 to 288p. NCC Energy put on 5 to 130p pending bid developments. Berkeley Exploration found support and rose 18 to 295p, along with Pict Petroleum, up 25 at 420p.

Textiles retained a selectively firm appearance. Dawson International put on 6 to 164p, while Sidlaw advanved 8 for a two-day gain of 19 to 150p. Sirdar, interim results due next Wednesday, added 5 more at 140p, while Jerome firmed 4 to 72p. Dealings in Bond Street Fabrics were resumed at 39p following the agreed bid worth 40p per share from Auchinleck Investment; the company had already rejected an offer from Grovebell worth 29p per share.

Golds easier

Mining markets turned easier in the wake of the $6 decline in bullion to $492.50 an ounce and the generally lower trend in base-metal prices.

Golds opened on a steady note but thereafter ran into light profit taking which left prices a fraction easier on balance. The Gold Mines index dipped 1.4 to 342.9.

Financials were mixed. In the London-based stocks, Rio Tinto-Zinc rallied strongly from 450p to close unaltered on balance at *463p following news of the agreed* settlement of the Westinghouse litigation.

Strong Continental buying of Tanks bearer shares lifted the latter to 300p; the registered shares moved up 5 to 280p, after 290p, in sympathy. On the other hand, Gold Fields mirrored the fall in bullion, losing 7 to 443p, while Charter lost 5 at 228p.

South Africans showed Amcoal ½ firmer at £12½ after news of a planned new R124m colliery *to be know as Goedhoop. Rand* London Coal dropped 7 more for a two-day decline of 14 to 98p still reflecting the announcement that the company is unlikely to achieve its profits forecast.

Australians drifted in quiet *trading following the decline in* overnight domestic markets.

Meekatharra Minerals met with sizeable profit-taking after Monday's upsurge and reacted 30 to 350p. Ashton Mining gave up 6 at 119p, International Mining 9 at 58p and Whim Creek 2 at 54p.

The U.S. sector atracted re-*newed selling. AMAX fell a* point to £24¼, St. Joe half a point to £20 and Asarco ⅛ to £18⅞.

FINANCIAL TIMES STOCK INDICES

	Mar. 17	Mar. 16	Mar. 13	Mar. 12	Mar. 11	Mar. 10	A year ago
Government Secs.	69.82	69.92	69.65	69.66	69.48	68.75	64.16
Fixed Interest	71.65	71.52	71.59	71.58	71.40	70.67	64.73
Industrial Ord.	487.6	479.8	477.8	481.0	470.0	484.3	461.7
Gold Mines	342.9	344.3	336.1	319.0	318.7	329.4	265.5
Ord. Div. Yield	6.89	7.00	7.02	6.97	7.10	7.27	7.92
Earnings, Yld.%(full)	14.53	14.75	14.81	15.27	15.09	15.64	20.43
P/E Ratio (net) (*)	8.51	8.38	8.36	8.04	7.66	7.88	5.94
Total Bargains	24,350	21,989	24,269	21,783	21,797	22,877	22,361
Equity turnover £m.	—	100.24	170.58	143.97	164.10	91.86	111.29
Equity barg. ns total	—	17,657	20,227	18,258	15,813	17,423	17,900

10 am 482.7. 11 am 486.8. Noon 486.7. 1 pm 486.2.
2 pm 486.5. 3 pm 486.8.
Latest Index 01-246 8026.
* Nil=7.90.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

HIGHS AND LOWS

	1980/81 High	1980/81 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	72.54 (21/7/80)	63.88 (7/5/80)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	74.08 (24/7/80)	64.70 (10/5/80)	150.4 (28/11/47)	50.53 (3/1/75)
Ind.Ord.	515.9 (21/11/80)	405.9 (5/1/80)	558.6 (4/5/79)	49.4 (26/6/40)
Gold Mines	559.2 (22/9/80)	265.5 (18/3/80)	558.9 (22/9/80)	43.5 (26/10/71)

S.E. ACTIVITY

	Mar. 16	Mar. 13
—Daily		
Gilt Edged Bargains	181.5	177.9
Equities Bargains	114.4	131.1
Value	202.8	344.8
5-day Avrge.		
Gilt Edged Bargains	205.3	230.0
Equities Bargains	115.8	118.3
Value	271.1	274.1

SHACKLETON SPENDING

Canadian oil explorer Shackleton Petroleum said yesterday it is ready to spend the remainder of the C$10.5m raised last August. About C$4.3m of the proceeds will be spent in U.S. exploration.

The decision to use the balance of its funds came after independent appraisals of proved and probable oil and gas reserves.

NEW HIGHS AND LOWS FOR 1980/81

The following shares quoted in the Share Information Service yesterday attained new Highs and Lows for 1980-81.

NEW HIGHS (105)

BRITISH FUNDS (1)
COMMONWLTH. & AFRICAN LOANS (3)
LOANS (1)
AMERICANS (7)
BANKS (4)
BUILDINGS (16)
CHEMICALS (1)
DRAPERY & STORES (2)
ELECTRICALS (7)
ENGINEERING (5)
FOODS (6)
HOTELS (1)
INDUSTRIALS (11)
INSURANCE (3)
LEISURE (2)
NEWSPAPERS (2)
PAPER (5)
PROPERTY (8)
TEXTILES (4)
TRUSTS (12)
OIL & GAS (3)
MINES (1)

NEW LOWS (8)

ELECTRICALS (1)
Normand Elec.
INDUSTRIALS (3)
Cope Allman Neil & Spencer
London & Liverpool
MOTORS (1)
Deltight
TOBACCOS (1)
Imperial Grp.
OIL & GAS (2)
Collins (K.) Pet. Shackleton Pet.

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	7	52	36
Corpns., Dom. and Foreign Bonds	8	4	53
Industrials	436	101	833
Financial and Prop.	218	48	227
Oils	28	14	32
Plantations	6	2	15
Mines	30	65	70
Others	64	38	36
Totals	797	324	1,302

FT-Actuaries indices

Today's display of FT-Actuaries indices includes for the first time the replacement indices for Preference shares and Debenture/Loan stocks, full details of which were published in the Financial Times on February 25. The base date for both indices is December 31, 1977, the starting value for Debentures being 100 and for Preferences 76.72.

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section

		Tues., March 17, 1981 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Mon. March 16 Index No.	Fri. March 13 Index No.	Thurs. March 12 Index No.	Wed. March 11 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (212)	318.78	+1.8	12.87	5.11	9.50	313.03	310.88	310.14	304.71	231.32
2	Building Materials (26)	278.89	+1.3	16.58	6.19	7.21	275.29	274.22	271.45	267.96	224.89
3	Contracting, Construction (26)	508.54	+3.2	17.94	5.00	6.70	492.57	486.52	482.85	483.49	357.04
4	Electricals (27)	1044.25	+1.6	8.31	2.51	14.87	1027.87	1015.81	1015.97	992.18	600.13
5	Engineering Contractors (11)	423.92	+2.0	14.07	6.10	9.07	415.45	413.03	410.23	410.16	268.22
6	Mechanical Engineering (72)	188.28	+1.7	14.82	6.67	8.54	185.11	183.97	184.78	182.66	157.20
8	Metals and Metal Forming (13)	143.11	+1.1	18.43	11.67	6.88	141.55	144.01	144.52	142.46	157.85
9	Motors (21)	88.95	+0.1	20.09	9.32	5.76	88.87	88.08	88.17	87.48	104.38
10	Other Industrial Materials (16)	339.21	+3.5	13.18	6.05	8.93	327.74	327.19	323.19	312.69	0.00
21	CONSUMER GROUP (197)	246.14	+1.6	15.27	6.41	7.95	242.36	240.75	241.93	238.16	211.14
22	Brewers and Distillers (20)	267.88	+1.3	17.29	6.83	6.86	264.43	263.48	264.24	259.97	254.42
25	Food Manufacturing (22)	229.59	+1.8	17.19	6.89	6.92	225.62	223.45	223.85	219.06	187.29
26	Food Retailing (14)	453.70	+1.5	9.93	3.55	11.90	447.16	445.88	444.70	440.89	292.36
27	Health and Household Products (7)	263.01	+1.9	10.10	5.42	11.77	258.10	255.15	256.29	252.52	202.60
29	Leisure (22)	373.36	+1.4	14.98	6.13	8.24	368.11	364.50	363.17	358.15	286.22
32	Newspapers, Publishing (12)	446.51	+1.1	19.69	7.18	6.63	441.73	441.01	441.78	437.87	406.20
33	Packaging and Paper (15)	124.29	+1.4	25.69	9.74	4.51	122.58	120.80	120.95	120.11	125.11
34	Stores (44)	249.34	+2.3	11.88	5.07	11.04	243.67	242.56	245.17	240.11	212.97
35	Textiles (21)	139.72	+0.9	15.73	9.55	8.59	138.41	137.10	138.74	138.64	125.50
36	Tobaccos (3)	211.19	−0.9	26.91	11.02	4.24	213.17	212.07	214.75	213.15	196.28
39	Other Consumer (17)	257.73	+0.2	10.01	7.46	12.59	257.20	256.25	255.40	257.52	0.00
41	OTHER GROUPS (79)	207.07	+1.0	14.84	7.33	8.34	204.99	203.40	205.89	203.82	196.04
42	Chemicals (15)	241.62	+1.0	13.40	8.67	9.47	239.27	235.35	242.84	239.87	290.29
44	Office Equipment (6)	108.46	+1.0	17.16	7.66	6.91	107.38	105.50	106.97	105.27	111.63
45	Shipping and Transport (13)	584.67	+1.3	12.99	6.33	9.42	577.32	578.18	580.35	568.98	450.11
46	Miscellaneous (45)	269.62	+0.9	16.58	6.26	7.45	267.10	267.13	265.82	265.28	228.13
49	INDUSTRIAL GROUP (488)	265.41	+1.6	14.30	6.03	8.54	261.25	259.45	260.24	256.18	219.19
51	Oils (12)	831.90	+1.1	22.26	6.78	5.17	822.89	851.79	869.35	821.91	727.95
59	500 SHARE INDEX	310.39	+1.5	15.95	6.18	7.52	305.83	306.39	308.48	301.05	259.41
61	FINANCIAL GROUP (118)	248.29	+1.8	—	5.55	—	243.93	243.66	243.08	240.42	187.12
62	Banks (6)	235.18	+4.5	40.84	7.57	2.97	224.98	227.03	226.33	220.84	205.07
63	Discount Houses (10)	307.33	+0.1	—	6.03	—	307.12	307.48	302.59	299.22	206.50
64	Hire Purchase (4)	269.49	+6.7	8.35	4.85	16.56	252.62	239.14	238.80	234.41	181.63
65	Insurance (Life) (10)	263.82	+1.9	—	5.06	—	259.01	257.45	255.45	252.32	166.67
66	Insurance (Composite) (9)	164.27	+1.4	—	7.28	—	162.01	160.31	160.59	158.28	121.68
67	Insurance Brokers (9)	341.59	+0.6	12.86	6.78	10.62	339.39	339.60	339.63	339.87	281.47
68	Merchant Banks (13)	148.48	+0.8	—	5.28	—	147.33	147.91	147.58	146.99	99.36
69	Property (46)	478.52	+1.5	3.15	2.61	44.13	471.67	473.36	471.74	471.08	355.21
70	Miscellaneous (11)	168.70	−4.4	16.12	6.12	7.90	176.40	175.51	175.92	174.99	125.70
71	Investment Trusts (109)	287.71	+0.7	—	5.35	—	285.59	285.54	285.26	287.17	205.11
81	Mining Finance (3)	229.36	−0.8	14.75	5.85	8.04	231.28	232.44	221.29	216.02	178.41
91	Overseas Traders (20)	442.60	+0.4	12.08	6.70	10.18	440.99	440.76	440.01	436.42	383.50
99	ALL-SHARE INDEX (750)	298.08	+1.4	—	6.02	—	293.94	294.29	295.17	289.45	241.85

FIXED INTEREST PRICE INDICES

	British Government	Tues. March 17	Day's change %	Mon. March 16	xd adj. today	xd adj. 1981 to date
1	5 years	108.81	−0.04	108.85	—	2.48
2	5-15 years	112.38	−0.13	112.52	—	2.02
3	Over 15 years	116.21	−0.03	116.24	—	2.16
4	Irredeemables	128.36	−0.04	128.41	—	1.78
5	All stocks	112.20	−0.06	112.27	—	2.18
6	Debentures & Loans	88.42	+0.32	88.14	—	2.87
7	Preference	68.28	−0.16	68.39	—	2.49

FIXED INTEREST YIELDS — British Govt. Av. Gross Red.

			Tues. March 17	Mon. March 16	Year ago (approx.)
1	Low Coupons	5 years	11.27	11.23	13.15
2		15 years	12.07	12.05	13.01
3		25 years	12.22	12.20	13.01
4	Medium Coupons	5 years	13.02	12.97	15.82
5		15 years	13.59	13.57	14.61
6		25 years	13.36	13.34	14.40
7	High Coupons	5 years	13.02	13.00	15.14
8		15 years	13.81	13.80	14.93
9		25 years	13.52	13.52	14.78
10	Irredeemables		11.52	11.51	12.51
11	Debs. & Loans	5 years	13.94	13.95	15.62
12		15 years	14.26	14.32	15.38
13		25 years	14.28	14.34	15.14
14	Preference†		14.38	14.37	15.69

† Flat yield. Highs and lows record base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, The Financial Times, [illegible] Street, London, EC4P 4BY; price 15p, by post 26½p.

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price pence	Day's change	Stock	Closing price pence	Day's change
BTR	472	+32	Prov. Financial	146	+13
Barratt Dev.	226	+24	Racal	359	+5
Dowty	259	+15	RTZ	463	—
GEC	655	+8	Royal Bank of Scot.	138	+42
GUS 'A'	462	+14	Saatchi and Saatchi	362	+19
GKN	131	+4	Standard Chartered	643	−52

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of price changes	Mon.'s closing price pence	Day's change	Stock	No. of price changes	Mon.'s closing price pence	Day's change
Crest Nicholson	17	159	+9	Jamaica Sugar	11	20	−17
De Beers Dfd.	13	372	+5	Shell Tr.	11	392	−12
GEC	13	647	+2	Ultramar	11	483	−2
GKN	13	127	−8	ICL	10	42	+5
Brit. Aerospace	12	175	+2	Pearson (S.)	10	204	−16
ICI	12	232	+6	Racal	10	354	+7
Plessey	12	323	+6	Tricentrol	10	282	−6

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Mar. 9	Mar. 20	June 11	June 22
Mar. 23	Apr. 3	June 25	July 6
Apr. 6	Apr. 17	July 9	July 20

For rate indications see end of Share Information Service

Stocks favoured for the call included ICI, Turner and Newall, Cons. Gold Fields, Davy Corporation, Montague L. Meyer, Bardsey, Double Eagle, ICL, Conex, FNFC and Premier Oil. Puts were done in Brown and Jackson and Alpine Holdings, while doubles were taken out in Turner and Newall, FNFC, Montague L. Mayer, Thomas Borthwick, Grindlays and GKN.

RECENT ISSUES

EQUITIES

Issue Price p‡	Amount Paid Up	Latest Renunc. Date	1980/81 High	1980/81 Low	Stock	Closing Price p‡	+ or −	Div. P. or Amount	Times Covered	Gross Yield	P.E. Ratio
150	F.P.	3/4	179	170	British Aerospace 50p	175	—	b7.8	2.0	6.4	11.2
10	F.P.	27/3	17¾	13¾	✱Crest Intl Scs. 10p	17¾	+1	—	—	—	—
100	F.P.	1/5	120	105	Cystic Fibr Inv Tst £1	117	—	—	—	—	—
5¼	F.P.	—	8	6½	✱Dunton 5p	7	—	—	—	—	—
‖	F.P.	—	145	112	†† Eglinton Oil & Gas	145	+2	—	—	—	—
75§	F.P.	—	105	88	Espley-Tyas Prop.	92	+4	b3.92	1.2	6.1	19.1
100	F.P.	13/3	118	95	New Darien Oil Trust	95	—	—	—	—	—
—	F.P.	—	57	44	Do. Warrants	54	—	—	—	—	—
42	F.P.	13/5	46	38	Oil & Gas Production	38	−1	—	—	—	—
4.2	P.P.	13/5	9	7½	Do. ($0.01 pd.)	8½	—	—	—	—	—
§§	F.P.	—	16xd	12	✱Parkfield Fndrs. 5p	16xd	+1½	0.88	6.4	7.8	2.8
81¼	F.P.	16/2	106	96	Sonic Sound Audio 10p	100	+2	b4.48	1.9	6.4	9.7
100	F.P.	—	101	98	T. R. Energy	100	—	—	—	—	—

FIXED INTEREST STOCKS

Issue price £	Amount Paid Up	Latest Renunc. Date	1980/81 High	1980/81 Low	Stock	Closing Price	+ or −
¶100	£10	21/5	12½	11½	Bristol Water 8% Red. Pref '86	12½	—
77	F.P.	1/5	74	70	Cystic Fibrosis Res'ch In. Tst. 5% Deb. '86	70	−4
‖	£20	27/3	22	20½	Iceland 14½% 016	21¾	+¼
96	F.P.	24/7	112	102	Mid-Sussex Water 8% Pref. 1986	102½	—
‖	F.P.	—	169p	147p	Sterling Credit 8% Cnv. Red. Cum. Prf.	155p	+2
¶	£10	26/6	12½	12½	Sutton District Water 8% Pref.	12½	—
110½	Nil	20/3	11pm	7pm	Yorks Fine Wool 11% Cum. Red. Cnv. Prf	7pm	—

"RIGHTS" OFFERS

Issue Price p‡	Am'unt paid up	Latest Renunc. Date ●	Latest Renunc. Date ■	1980/81 High	1980/81 Low	Stock	Closing price p‡	+ or −
128p	F.P.	27/2	27/3	128	115	Argyll Foods	124	+2
154p	F.P.	9/3	22/5	181	171	Assoc. Dairies	178	+2
$A9	Nil	—	—	250pm	175pm	Broken Hill Prop.	240pm	−10
60	F.P.	16/2	27/3	87	71	Norcros	86½	+½
45p	F.P.	9/3	3/4	50	43	Paradise B.	43	—
320	F.P.	23/1	20/3	390	330	Royal Insurance	390	+7

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimate. *g* Assumed dividend and yield. *u* Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimate for 1979. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. p‡ Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ✱ With warrants. †† Dealings under special Rule. ✱ Unlisted Securities Market. ‡‡ London Listing. ‡ Resulting from debt settlement scheme. ‡‡ Units comprising 125 A Ord. & 6 12½% Cum. Pref.

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

Craigmount Fixed Int. Mngrs. (Jersey)
P.O. Box 195, St. Helier, Jersey. 0534 27561
Gilt Fund (Jsy.) 94.0 94.1xd 14.88
Valued weekly Wednesday.

DWS Deutsche Ges. F. Wertpapiersp
Gruneburgweg 113, 6000 Frankfurt
Investa DM30.80 32.40 ..... —

Delta Group
P.O. Box 3012, Nassau, Bahamas
Delt. Inv. March 10 $4.14 4.35 ..... —

Deutscher Investment-Trust
Postfach 2685 Biebergasse 6-10 6000 Frankfurt
Concentra DM26.18 17.20 +0.10 —
Int. Rentenfonds DM59.20 61.10 +0.10 —

Dreyfus Intercontinental Inv. Fd.
P.O. Box N3712, Nassau, Bahamas.
NAV Mar. 10 US$30.48 32.43 ..... —

Emson & Dudley Tst. Mgt. Jrsy. Ltd.
P.O. Box 73, St. Helier, Jersey. 0534 73933
E.D.I.C.T. 152.6 163.8 ..... 2.20

The English Association
4 Fore Street, EC2. 01-588 7081
E. A. Income Fund* 59.4 63.2 ..... 7.91
E. A. Sterling* 67.27 67.31xd ..... —
E. A. Equity* 67.59 71.91 ..... 1.74
Wardgate Cm. Fd.** 17.39 18.09xd 2.87
*Next dealing March 18. **Next dealing March 31.

Hill Samuel Invest. Mgmt. Intnl.
P.O. Box 63, Jersey. 0534 27381
HS Channel Is. Fd. 142.0 151.5 ..... 3.25
H.S. Fixed Int. Fd. 93.0 98.0xd +2.0 12.50

Rothschild Asset Management (C.I.)
P.O. Box 58, St. Julians Ct., Guernsey. 0481 26331
O.C. America Fd.t. US$2.61 2.77 ..... 0.47

[illegible]

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
72-80, Gatehouse Rd., Aylesbury 0296 5941

Abbey Amer. Gth. Tst.	59.1	63.5	+0.1	2.28
Abbey Capital	45.8	49.5	+0.8	4.95
Abbey General	54.7	59.1	+0.7	5.20
Abbey Gilt & F.I. Tst.	106.5	112.1	+0.3	11.68
Abbey Income	34.8	37.7	+0.4	9.31
Abbey W'Wide Bd Tst.	94.6	100.2	−0.3	6.69
Abbey Inv. Tst. Fd.	49.8	53.8	+0.2	4.72
Equitas Prog. Tst.	79.9	86.3	+0.7	4.73

Allen Harvey & Ross Unit Tst. Mngrs.
45, Cornhill, London EC3V 3PB. 01-623 6314

AHR Gilt Trust	87.1	91.6	−0.1	12.50

Allied Hambro Ltd. (a) (g)
Hambro Hse., Hutton, Brentwood, Essex.
01-588 2851 or Brentwood (0277) 211459

Balanced Funds				
Allied 1st	88.0	94.2	+1.1	5.94
Brit. Inds. Fund	76.8	82.2	+0.8	6.20
Growth & Income	50.5	54.0	+0.5	5.00
Elect. & Ind. Dev.	44.6	47.7	+0.5	5.74
Allied Capital	96.0	102.7	+0.9	4.48
Hambro Fund	131.1	140.3	+1.1	6.17
Hambro Acc. Fund	180.0	192.6	+1.7	4.72
Income Funds				
High Yield Fd.	63.5	67.9	+0.7	8.84
High Income	78.4	83.5	+0.7	7.75
Equity Income Fd.	45.0	48.2	+0.5	7.59
Govt. Secs.	26.2	26.9	+0.1	11.52
International Funds				
International	34.6	37.0	----	2.16
Japan Fund	24.6	26.3	----	0.24
Pacific Fund	66.5	71.3	----	1.15
Secs. Of America	76.5	81.9	----	1.95
Specialist Funds				
Smaller Co.'s Fd.	56.0	59.9	+0.2	4.34
2nd Smlr. Co's Fd.	67.9	72.6	+0.4	4.13
Recovery Sits.	135.9	145.4	+0.7	5.23
Met. Min. & C'dty.	68.6	73.4	+0.3	5.38

Crescent Unit Tst. Mngrs. Ltd. (a)(g)
4 Melville Cres., Edinburgh 3 031-226 4931

Cres. Amer. Fd.	41.5	44.8	−0.1	0.56
Cres. Internat'l.	80.2	86.6	+0.5	1.80
Cres. High. Dist.	43.8	47.3	+0.2	10.04
Cres. Reserves	49.3	53.2	+0.7	5.52
Cres. Tokyo	32.8	35.4	+0.1	0.99

Dartington Unit Trust Mngt. Ltd.
Bridge Chambers, Barnstaple, Devon 0271 76324

Total Perf. Unit Tst.	24.2	25.6	+0.1	10.73

Discretionary Unit Fund Managers
36/38 New Broad St, EC2M 1NU. 01-638 4485

Disc. Inc. Mar. 13	236.7	252.4	......	5.20

E. F. Winchester Fund Mngt. Ltd.
44, Bloomsbury Square, WC1A 2RA 01-623 8893

Great Winchester	18.5	20.4	----	4.93
Gt. Winchester O'seas.	27.6	30.6	----	3.47

For Emson and Dudley see Robert Fraser Tst. Mgt. Ltd.

Equity & Law Un. Tr. M.♥ (a)(b)(c)
Amersham Rd., High Wycombe. 0494 33377

Equity & Law	88.5	93.1	+0.7	4.68

Fidelity International Management Ltd.
62-63 Queen St, London EC4 1AD 01-248 4892

American (z)	35.8	38.5	+0.2	0.70
Amer. Spec. Sits. (z)	26.0	28.0	−0.2	0.82
Gilt + Fixed Int.	25.4	25.7	−0.1	11.65
Growth + Income	31.3	33.7	+0.3	7.11
Minimum Inc. Eq. Tst.	26.5	28.5	+0.2	8.87
Special Sits.	39.5	42.5	+0.3	1.85

James Finlay Unit Trust Mngt. Ltd.
10-14, West Nile Street, Glasgow. 041-204 1321

J. Finlay Internat'l	38.8	41.7	----	2.12
Accum. Units	49.1	52.7	----	2.12
J. Finlay High Income	35.6	38.3	----	9.77
Finlay Wld. Energy	18.2	19.6	+0.2	1.93
Accum. Units	23.5	25.2	+0.2	1.93
J. Finlay Fd. In. Tst.	38.8	41.7	----	5.19
Accum. Units	49.1	52.8	----	5.19

Prices on Mar. 11. Next dealing Mar. 18.

FT UNIT TRUST INFORMATION SERVICE

INSURANCE PROPERTY BONDS

OFFSHORE & OVERSEAS FUNDS

Continued on previous page

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1980-81 High	Low	Stock	Price £	+ or —	Yield Int.	Red.
99⅛	91¼	Exch. 8¼pc 1981	99⅛	.....	8.32	11.92
99⅞	92¾	Exch. 9½pc 1981	99⅛	+1/16	9.58	11.87
96⅝	85½	Exch. 3pc 1981	96⅝	.....	3.11	11.28
99 11/16	96½	Treas. Variable '81§§	99 3/16	.....	12.22	13.13
100⅝	95 3/16	Exch. 12¾pc 1981‡‡	100 3/16	.....	12.71	12.14
97¼	88½	Treas. 8½pc '80-82‡‡	97 3/16	.....	8.74	12.08
95	82½	Treasury 3pc '82‡‡	94¾	−⅛	3.17	9.09
102⅞	96⅝	Treasury 14pc '82‡‡	102 1/16	.....	13.72	11.74
98⅞	94¼	Treas. Variable '82§§	98⅝	.....	12.30	13.27
95½	86⅛	Treasury 8¼pc '82	95⅝	−1/16	8.62	11.96
95⅞	86½	Exch. 9¼pc 1982	95⅝xd	−1/16	9.67	12.49
94¾	85	Exch. 8¾pc 1983	94⅝	−1/16	9.24	12.12
89¼	76½	Exch. 3pc 1983	89⅛	−⅛	3.36	9.27
99⅞	90⅞	Treasury 12pc 1983‡‡	99⅛	−⅛	12.10	12.50
97 1/16	90⅝	Treas. Variable '83 §§	96⅞	.....	12.53	13.77
94	84½	Treasury 9¼pc '83	93 11/16	−1/16	9.84	12.30
102⅞	94¼	Exch. 13½pc '83	101 13/16	−1/16	13.25	12.64
94	84½	Exch. 10pc 1983	93 13/16	−1/16	10.64	12.65
87¼	76½	Funding 5½pc '82-84‡‡	87⅛	.....	6.31	10.89
97 1/16	87¼	Exch. 11¼pc 1984	96⅝	−⅛	11.64	12.65

Five to Fifteen Years

Over Fifteen Years

Undated

INTERNATIONAL BANK

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

BANKS AND HIRE PURCHASE

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS—Continued

ENGINEERING MACHINE TOOLS

FOOD, GROCERIES, ETC.

FOOD, GROCERIES—Cont.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

هكذا من الأصل

INDUSTRIALS—Continued

[illegible]

INSURANCE

[illegible]

INSURANCE—Continued

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc.

[illegible]

FINANCE, LAND—Continued

[illegible]

OIL AND GAS

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

Africa

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

MINES—Continued

Australian

[illegible]

Tins

[illegible]

Copper

[illegible]

Miscellaneous

1980-81 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
445	53	Colby Res. Corp.	205	+7	—	—	—
502	200	Cons. Murch. 10c.	235	......	t030c	1.8	7.3
180	75	††Hemerdon 10c.	85	......	—	—	—
225	36	Highwood Res.	145	+5	—	—	—
385	300	Northgate C$1	400	......	—	—	—
*486	322	R.T.Z.	463	......	t16.0	3.2	4.9
£115	£93½	Do.9½%Cv.Uns.Ln.'95-2000	£106	−1	Q9½%	—	f9.3
143	91	††SPO Minerals 10p	139	......	—	—	—
58	26	Sabina Inds. C$1	37	−3	—	—	—
51	28	††SWCM 10p	31	......	—	—	—
650	411	Tara Exptn. $1	490	......	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ✤ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(2)(a); not listed on any Stock Exchange and not subject to any listing requirements.
- ‡‡ Dealt in under Rule 163(3).
- ♯ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ✥ Not comparable.
- ♠ Same interim; reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ** Regional price.
- ‖ No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1981-82. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1980-81. K Figures based on prospectus or other official estimates for 1979-80. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1981. P Figures based on prospectus or other official estimates for 1980-81. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	41	......		**IRISH**	
Bertam	13	......	Conv. 9% '80/82	£94	......
Bdg'wtr. Est. 50p	535	......	Nat. 9¾% 84/89	£76¼	......
Craig & Rose £1	£11¼	......	Fin. 13% 97/02	£80½	......
Fife Forge	41	......	Alliance Gas	54	......
Finlay Pkg. 5p	20	......	Arnott	235	......
Graig Ship. £1	£20	......	Carroll (P.J.)	85	......
Higsons Brew	65	......	Concrete Prods.	94	......
Holt (Jos) 25p	405	......	Heiton (Hldgs.)	30	......
I.O.M. Stm. £1	160	......	Ins. Corp.	395	......
Pearce (C. H.)	810	......	Irish Ropes	43	......
Peel Mills	82½	......	Jacob	40	......
Sheff. Refrshmt	95	......	T.M.G.	21	......
Sindall (Wm.)	135	......	Unidare	82	......

OPTIONS

3-month Call Rates

Industrials		I.C.I.	28	Utd. Drapery	6½
A. Brew	7	"Imps"	7	Vickers	14
BOC Intl.	9	I.C.L.	9	Woolworths	5
B.S.R.	4½	Inveresk	3		
Babcock	11	Ladbroke	24	**Property**	
Barclays Bank	40	Legal & Gen.	20	Brit. Land	8
Beecham	15	Lex Service	9	Cap. Counties	11
Blue Circle	30	Lloyds Bank	28	Land Secs.	35
Boots	20	"Lofs"	4	MEPC	20
Bowaters	20	London Brick	6	Peachey	8
B.A.T.	25	Lucas Inds.	20	Samuel Props.	15
Brown (J.)	6½	"Mams"	20	Town & City	2¼
Burton	10	Mrks. & Spncr	9		
Cadburys	6	Midland Bank	32	**Oils**	
Courtaulds	6	N.E.I.	7	Brit. Petroleum	36
Debenhams	8	Nat. West. Bank	52	Burmah Oil	19
Distillers	17	P & O Dfd.	12	Charterhall	11
Dunlop	7½	Plessey	25	KCA	22
Eagle Star	22	Racal Elect.	32	Premier	10
F.N.F.C.	3½	R.H.M.	4	Shell	40
Gen. Accident	30	Rank Org.	16	Tricentrol	34
Gen. Electric	50	Reed Intnl.	18	Ultramar	48
Glaxo	22	Sears	4½		
Grand Met.	14	Tesco	5½	**Mines**	
G.U.S. 'A'	48	Thorn	28	Charter Cons.	20
Guardian	32	Trust Houses	18	Cons. Gold	45
G.K.N.	16	Tube Invest.	18	Lonrho	10
Hawker Sidd	20	Unilever	50	Rio T. Zinc	45
House of Fraser	15	U.D.T.	4½		

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 36

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £500 per annum for each security

FINANCIAL TIMES

Wednesday March 18 1981

Social Democrat launch next week

BY ELINOR GOODMAN, LOBBY CORRESPONDENT

THE Social Democrats are to launch themselves as a fully fledged political party next Thursday with a media marathon, complete with phone-in and a unique credit-card membership service.

As part of a campaign to establish themselves as a truly national party the Social Democrats are to open up 18 banks of telephones on Thursday morning. Callers will be able to telephone members and—if they wish—pay their first subscription by Barclaycard or Access.

The campaign will start with a nine o'clock Press conference in London with all 15 members of the Council for Social Democracy.

This will mark the Social Democrats' formal launch as a political party. They will unveil a policy statement enlarging on the principles laid down in the so-called Limehouse Declaration in January.

The 15 members will then disperse around the country in small groups for maximum use of limited human resources. Between them they will give Press conferences in nine towns.

Mrs. Shirley Williams is scheduled to fly up to Edinburgh for a lunchtime Press conference, and then on to Brighton.

Mr. Roy Jenkins will go to Cardiff and then Manchester. Dr. David Owen will head for Southampton and then his home base of Plymouth. Mr. Bill Rodgers, the party's main organiser, will go to Norwich and then Leeds.

The Press conferences will be backed by an advertising campaign in both the national and regional Press financed out of donations.

When Labour's so-called Gang of Four—Mrs. Williams, Dr. Owen, Mr. Rodgers and Mr. Jenkins—launched the Council for Social Democracy in January as a group within the Labour Party they did not envisage launching a new party before May at the earliest. But events have gained a momentum of their own, which has meant they have had to contract their original time scale.

Their aim now is to build a national party from the grass-roots. They are laying much emphasis on the need to involve individual members from the start using techniques like phone-ins, never before used in British politics.

Westinghouse settles uranium litigation with Rio Tinto-Zinc

BY PAUL CHEESERIGHT

WESTINGHOUSE Electric, the U.S. nuclear plant manufacturer, has settled its uranium litigation with Rio Tinto-Zinc of London and five companies in the RTZ group, it was announced yesterday.

This brings closer the conclusion of litigation which began five years ago and in which $3bn (£1.3bn) of damages were at stake. The litigation has soured U.S. commercial relations with the UK, Australia and Canada.

The case has its origins in Westinghouse's failure to meet supply contracts for 65m lbs of uranium. Sued by utilities, it, in turn, charged 29 U.S. and foreign uranium producers in a Chicago court with conspiring to prevent its purchase of uranium by operating a cartel outside the U.S.

Westinghouse claimed triple damages, which could amount to about $3bn. This action spawned a claim for damages of $200m (£89.2m) by the Tennessee Valley Authority, a major buyer of uranium and a customer of Westinghouse against 13 producers, some of whom were already engaged in the Chicago court.

TVA also sought to overturn a uranium supply contract with Rio Algom, a Canadian member of the RTZ group. This prompted Rio Algom to sue TVA and Westinghouse in two additional actions involving potential damages of $2.2bn.

Yesterday's agreement between Westinghouse and the RTZ companies is part of a wider settlement, spanning these three cases.

In the Chicago case, Westinghouse has settled not only with the six RTZ companies, but with Anglo American and Nuclear Fuels of South Africa, Denison Mines of Canada and the U.S., Noranda of Canada and Pancontinental of Australia.

Between them they will pay Westinghouse $39m (£17.4m) in cash and sell Westinghouse 9m lbs of uranium by 1985 at a firm price subject to escalation. This sale, at a discount from the spot market price, is probably worth about $180m (£89.2m) at current values.

This leaves in the Chicago case five U.S. companies and Queensland Mines of Australia. The case is scheduled for September but seems unlikely to come to court. The pace of out-of-court settlements has quickened since December

Seven companies have settled with the TVA in the $200m action started in 1977. They include four RTZ companies as well as Denison, Noranda and Nuclear Fuels. They will pay the TVA $2m. The TVA has separately settled with Uranex of France.

The remaining companies left in this case, which has been consolidated into the Westinghouse Chicago action, are Uranerz Canada, Urangesellschaft of West Germany, Gulf Minerals Canada, Gulf Oil and Engelbard Minerals of the U.S.

The Rio Algom dispute with Westinghouse and the TVA, started by the TVA's rejection of uranium supply contracts with Rio Algom has been abandoned as part of the general scheme of settlements.

Background, Page 31

Budget deflation 'likely to delay recovery until later this year'

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE TROUGH of the recession is still expetced this year, despite the Budget measures, according to a sample of leading British forecasters. But the recovery is likely to be slow, and unemployment will probably continue to rise.

A comparison of forecasts published since the Budget indicates only a slightly greater degree of pessimism about consumer demand and output than projected earlier this year. The trough is also now expected to come during the summer or early autumn rather than this spring.

COMPARISON OF FORECASTS
(percentage change compared with previous year, unless stated)

		Average, early February	Average, post-Budget
GDP	1981	−1.6	−1.73
	1982	+1.7	+1.8
Consumer spending	1981	−0.3	−0.6
	1982	+1.9	+1.3
Unemployment UK adults 4th quarter, m	1981	2.6	2.7
	1982	2.75	2.86
Current account £bn	1981	+1.4	+3.1
	1982	−0.6	+0.7

Source: FT survey of 17 forecasts in February and 8 forecasts post-Budget

The differences between pre- and post-Budget forecasts are, however, considerably smaller than implied by some references in the past week to a "very deflationary" package. Few of the revisions are more than half a percentage point.

Nevertheless, the economic outlook remains bleak. Total output is projected on average to drop by 1¾ per cent this year before recovering by a similar amount in 1982 to a level well below that of 1979.

Adult unemployment in the UK is also expected to continue to rise—from 2.3m now to 2.7m by the end of this year and to nearly 2.9m by late 1982.

About the only comfort for the Government is that the inflation rate is expected to fall to just below 9 per cent next year, though some forecasters believe the rate could improve slightly in late 1982 if the economy recovers.

The economic outlook, the impact of the Budget and the Government's public spending plans are among the issues expected to be discussed when Treasury officials are questioned this afternoon by the all-party Treasury and Civil Service Committee of the Commons. Sir Geoffrey Howe, the Chancellor, is due to be questioned a week today.

There are marked variations between forecasters, partly depending on whether their view of the economy is monetarist or neo-Keynesian. The monetarists, notably the Liverpool Group headed by Professor Patrick Minford, are more optimistic than the Keynesians, as represented by the Economist Intelligence Unit.

Among the most optimistic is stockbroker Hoare Govett which has argued that the official statistics consistently understate the real level of economic activity.

Recession forecast, Page 6

Fisons reshuffles its board

BY SUE CAMERON, CHEMICALS CORRESPONDENT

FISONS, the troubled UK-based chemicals group which turned in a £16.827m net loss last year, has reshuffled its board.

Mr. John Kerridge, Fisons' chief executive, who has masterminded some of the major restructuring moves announced by the company in the past few months, is to take full control of all the group's operations and of its future development.

The chairman of Fisons will cease to exercise executive responsibility and Sir Ronald McIntosh, currently a non-executive director, is not to take over the chairmanship in May as planned.

Sir George Burton, the present chairman, will stay in his post for the time being but in a non-executive capacity. Until now Sir George has had responsibility for the company's development and the chief executive has reported to him.

Both Sir George and Sir Ronald said last night there had been no row at the board meeting on Monday night when the decisions on the reshuffle were finalised. At the same time, Sir George warned that further job cuts and rationalisation were likely.

"John Kerridge is a very powerful personality and in some ways this is a vote of confidence in him," Sir George said. "The company is going to have to make a lot of changes and it will need to be light on its feet to respond to the difficult circumstances that everyone is now having to face."

Mr. Kerridge took over as Fisons' chief executive last June when he replaced Mr. Ron Bounds. Sir George hinted yesterday that this week's reshuffle was a consequence of that sudden switch in chief executives. He said it "would be fair to say" that an executive chairman was no longer needed.

At the start of this month Fisons revealed that its pre-tax profits had dropped by 78 per cent from £17.34m in 1979 to £3.83m last year.

Earlier the group announced that it was rationalising its fertiliser division, with eventual plant closures and the loss of 1,100 jobs—about 10 per cent of its UK workforce. Mr. Kerridge formerly headed Fisons' fertiliser business.

The group said last week that it was shutting its London headquarters in Mayfair with the loss of over 60 jobs.

Fisons, which cut its dividend because of its net losses for 1980, saw profits fall in all five of its operating divisions last year.

Banks

Continued from Page 1

Scottish was that its business was partly counter-cyclical to interest-rate trends. This was because much of its lending was done at fixed rates.

Lloyds is active in leasing, mostly on so-called "big-ticket" items of capital equipment, in the UK and overseas. The current size of its leasing book is nearly £600m compared with about £175m for Lloyds and Scottish.

Among UK finance houses Lloyds and Scottish ranks fourth behind Lombard North Central (owned by National Westminster), UDT (being acquired by Trustee Savings Banks), and Mercantile Credit (Barclays). The Midland-owned Forward Trust is fifth.

Standard Chartered and Royal Bank indicated to Lloyds Bank that on their merger becoming unconditional, they would "enter into negotiations with Lloyds Bank in good faith for the sale to Lloyds Bank on an arm's-length basis of Royal Bank's 39.3 per cent shareholding in Lloyds and Scottish."

News of the merger terms hit Standard Chartered shares heavily. They closed 52p lower at 643p. Royal Bank shares moved ahead sharply. They closed 42p up at 138p. Lloyds and Scottish shares closed 11p ahead at 196p.

Weather

UK TODAY

Cold, windy, cloudy with rain, sunny intervals, prolonged rain or snow spreading from North.

London, S.E. England, E. Anglia
Bright, becoming cloudy. Rain. Max. 8C (46F).

Most of England, Wales, Channel
Rain. Max. 8C (46F).

N.E. England, Lakes, I.o.M., N. Ireland, S. Scotland
Gales. Showers. Max. 7C (45F).

N. Scotland, Orkney, Shetland
Gales. Showers. Rain or snow. Max. 4C (39F).

Outlook: unsettled, cold, night frost.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	F	13	55	L. Ang.†	C	12	54
Algiers	C	12	54	Luxmbg.	C	2	36
Amsdm.	C	4	39	Luxor	S	37	99
Athens	S	18	64	Madrid	F	11	52
Bahrain	S	23	73	Majorca	R	14	57
Barcina.	F	12	54	Malaga	S	20	68
Beirut	S	19	66	Malta	C	18	64
Belfast	C	6	43	M'chstr.	C	5	41
Belgrd.	S	14	57	Melbne.	S	20	68
Berlin	C	4	39	Mex. C.	—	—	—
Biarritz	F	9	48	Miami†	C	12	54
Bmghm.	C	5	41	Milan	C	10	50
Blackpl.	F	5	41	Montrl.†	S	−12	10
Bordx.	F	9	48	Moscow	F	−3	2
Boulgn.	F	5	41	Munich	C	7	45
Bristol	C	7	45	Naples	C	14	57
Brussels	C	5	41	Nwcstl.	F	6	43
Budpst.	F	10	50	N. York†	S	−4	25
Cairo	S	23	73	Nice	F	15	59
Cardiff	F	8	46	Nicosia	F	19	66
Cas'b'ca	F	17	63	Oporto	S	14	57
Chicg.†	C	1	34	Oslo	S	3	37
Cologne	C	3	37	Paris	C	3	37
Cpnhgn.	C	2	36	Perth	S	30	86
Corfu	F	18	64	Prague	C	5	41
Denver†	F	4	39	Rykjvk.	F	−2	28
Dublin	C	7	45	Rhodes	S	20	68
Dbrvnk.	C	15	59	Rio J'o†	—	—	—
Ednbgh.	C	6	43	Rome	C	13	55
Faro	S	20	68	Salzbrg.	F	10	50
Florence	C	14	57	S'cisco†	C	12	54
Frankft.	C	4	39	S'tiago†	—	—	—
Funchal	F	18	64	Stckhm.	C	0	32
Geneva	R	3	37	Strasbg.	C	7	43
Gibrltr.	S	19	66	Sydney	S	24	7
Gl'sg'w	F	8	46	Sydney	S	24	75
G'rnsey	C	7	45	Tangier	F	18	64
Helsinki	Sn	−4	25	Tel Aviv	S	21	70
H. Kong	C	19	66	Tenerife	F	22	72
Innsbrk.	C	7	45	Tokyo	F	1	54
Invrnss.	C	6	43	T'r'nto†	C	−14	7
I.o.M.	F	7	45	Tunis	C	16	61
Istanbul	F	13	55	Valencia	F	16	61
Jersey	F	7	45	Venice	C	11	52
L. Pims.	F	20	68	Vienna	F	11	52
Lisbon	S	15	59	Warsaw	C	2	36
Locarno	Sl	2	36	Zurich	C	3	37
London	Sl	5	41				

C—Cloudy. F—Fair. R—Rain. S—Sunny. Sl—Sleet. † Noon GMT temperatures.

Reagan budget figures 'over optimistic'

BY DAVID BUCHAN IN WASHINGTON

PRESIDENT Ronald Reagan has underestimated Federal spending by up to $25bn in the coming 1981-82 fiscal year because of his Administration's over optimistic assumptions about the U.S. economy, according to the Congressional Budget Office (CBO), an independent research organisation.

The President yesterday called the CBO figures "phony" as for the second time he made the unusual gesture of going to meet Congressional leaders on their home territory of Capitol Hill to lobby for his economic programme.

At the same time the Federal Reserve Board reported that industrial output in the U.S. fell last month, the first drop since July, leaving the index of industrial production 1.2 per cent lower than in February 1980. Lower industrial production could mean higher unemployment, as the CBO is forecasting. It also predicts persistent inflation and high interest rates.

A big drop in durable goods production was the chief cause of the 0.5 per cent decline in output in February, which in fact follows a trend of successively smaller monthly increases since last October, when output rose 1.9 per cent. The January 1981 industrial production output estimate has now been revised down from 0.6 per cent to 0.4 per cent.

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The possibility of a national coal strike, if talks break down between unions and employers, hangs over the industrial production outlook.

In the steadily worsening industrial performance since last summer's strong recovery, the factors have varied from month to month. In February, for instance, the decline would have been worse had not the rate of car assemblies risen 7.5 per cent to an annual rate of 5.8m units from the very low January level.

Arriving on Capitol Hill, Mr. Reagan said the CBO spending figures were wrong, and "their estimates are based on continuing the way they've run things for the past 30 years."

The CBO estimated that 1981-1982 public spending will be $715bn-$720bn, not the $695bn in Mr. Reagan's Budget, because it believes unemployment, inflation and interest rates will all be higher than the Administration's predicts.

For instance, the CBO forecasts a 9.7 per cent rise in consumer prices, against a 9.1 per cent Administration projection, a 7.8 per cent jobless rate against the Reagan forecast of 7.4 per cent, and an average 13.7 per cent on three-month Treasury bills, while the Administration believes this will be 9.3 per cent.

The CBO also believes the Reagan Administration has underestimated the actual rate of defence spending in 1981-82, both in terms of military costs and the rate of weapons procurement.

The CBO made no new calculation of the Administration's revenue estimate and thus offered no revision of Mr. Reagan's goal of a $45bn deficit in 1981-82. But if the CBO figures are accurate, $65bn-$70bn with a slacker economy depressing revenues unless Mr. Reagan or his fellow Republicans on Capitol Hill try to make even bigger spending cuts.

Japanese discount rate cut

Continued from Page 1

countries which import Japanese plant.

Mixed credits involve commercial credits, offered at internationally agreed rates of interest and aid funds, offered at concessional rates of interest. This reduces the net cost to the borrower, and in practical terms it is likely that Japan's Ministry of International Trade and Industry will permit greater concessional lending in yen

This would in turn reduce dollar lending for capital projects from the Export and Import Bank of Japan. Concessional yen lending has hitherto been limited to 25 per cent of a loan package for capital projects. But the Japanese Government has been under strong pressure from industry to raise the ceiling.

This softening of loan terms may draw criticism from the US and some European countries, already at odds about the use of mixed credits. But the Japanese argue that other countries, notably France, are already undercutting Japan through official support for exporters.

Yesterday's economic measures were accompanied by figures from the Ministry of Finance which showed Japan's balance of payments on current account in February was $60m in deficit, an improvement from the January deficit of $2.9bn.

After seasonal adjustment, however, the current account deficit actually increased to $401m last month from $97m in January.

The overall balance of payments continues to benefit from large inflows of long-term capital from foreign investors. Foreign investment in stocks last month has been put at $720m with the purchase of bonds reaching $610m.

THE LEX COLUMN

Lloyds' slice of the action

When suspended on Monday, Standard Chartered and the Royal Bank of Scotland Group were together capitalised at £816m. By last night, after the announcement of terms of a fifth of a Standard share plus 10p for each Royal Bank unit, the joint figure had climbed to some £866m, so the stock market seems to have accepted at least some of the arguments about the commercial logic of the deal. But inevitably Standard's own share price took a dive.

Whereas the stock market had decided that an independent Royal Bank was worth a quarter as much as Standard Chartered, the Royal Bank's shareholders will get 34 per cent of the combined equity plus £22.6m in cash. At least there is no dilution of Standard's earnings, and its balance sheet ratios get a boost.

The weak link in the deal is, perhaps, that the Royal Bank is being offered a relatively poor deal on assets—the terms are worth 138p against book net worth of more like 240p. If there is ot be a counterbid (and it looks unlikely, despite all the talk about Hong Kong and Shanghai) the Royal Bank's assets would be the attraction.

The real limelight yesterday however, was taken by Lloyds Bank. The speed of its reaction in slapping in a bid of 200p a share for Lloyds and Scottish and buying effective control in the market clearly took Standard and Royal Bank aback. Standard had favoured a leisurely period of discussions, but Lloyds has waited a long time for such an opportunity and it was not going to risk any delay at all.

The Lloyds and Scottish management, having carefully nurtured their independence and stock market quotation over a period of a decade, now appear as the most obvious—if incidental—victims of the Standard Chartered/Royal Bank merger scheme. Only a few weeks ago L and S was attempting to take over UDT; now it is to become the wholly-owned

Index rose 7.8 to 487.6

consumer credit and small ticket leasing subsidiary which Lloyds has long lacked.

Lloyds will be especially keen to consolidate the whole of L and S this year, when lower interest rates will boost the finance house's earnings while depressing those of the clearing bank. In all the purchase will cost £145m but the consideration for Lloyds' 16 per cent stake in the Royal Bank could amount to £50m towards this (though it could mean yet more Standard Chartered equity for the stock market to absorb).

IMI

ICI's contention, at the time it sold its IMI stake in 1977, that chemical investment was inherently more profitable than investment in the metal industry, is capable of raising a wry smile now. But IMI's £28.6m rights issue, a 2 for 7 at 48p (echoing a 2 for 7 at 44p in 1976) begs just as many questions.

IMI's 1980 results are excellent by engineering company standards—after £5m of rationalisation costs above the line, pre-tax profits are down by a mere £6.3m to £28.2m. The titanium interests, perhaps a third of group profits now, and the sale of valves to the oil industry have been buoyant, while the less glamorous businesses have held the line. All the same, the dividend is nowhere near covered by current cost earnings, and profits are unlikely to be up very much, if at all, this year even after the interest saving on the rights money.

Before the issue, IMI's net debt was roughly a quarter of tangible shareholders' funds, and the company argues that it needs to keep a modest level of gearing in order to have room to expand its stronger businesses (there are dreams of a big U.S. acquisition) and to accommodate any sudden rise in the copper price. But there is nothing conservative in a company's committing itself, as IMI is doing, to paying an uncovered dividend on increased capital; the next year's payment, including unrecovered ACT, will cost £17½m.

The prospectus contains no segmental profits information; IMI expects (rightly, as it happens) to get an issue underwritten without supplying such tiresome details. The ex-rights yield is 11.4 per cent.

Brooke Bond

The quality of Brooke Bond Liebig's earnings continues to improve. At the half-way stage pre-tax profits are 20 per cent down at £19.3m; but virtually all the decline can be explained by exceptional factors such as the deferral of advertising expenditure a year earlier and an increased interest charge following the dawn raid on Mallinson-Denny.

In the UK, underlying tea margins have improved following pricer ises and profits are well ahead in spite of a fall of about a tenth in volume. The performance in Canada and Australia has been flat, although in France the company has managed to produce £600,000 after years of disappointment. By contrast, plantation earnings have fallen by a quarter to about £3m so the proportion of earnings from developed countries has risen above the 71 per cent of last year; in 1976 the figure was below 40 per cent.

The full year outcome may be close to the £38m of 1980, although steady raw material costs should bring a sharp improvement in current cost terms. The share price—up 2½p yesterday at 48½p—is thoroughly underpinned by a yield little short of 12 per cent. But the acquisition of Mallinson-Denny has transformed a lightly geared company into one with net debt of about 60 per cent of shareholders' funds.

Registered at the Post Office. Printed by St. Clement's Press for and published by the Financial Times Ltd., Bracken House, Cannon Street, London, EC4P 4BY.